Monday January 4 1988

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Business Summary

World News

Saudis to levy income tax on expatriates

Saudi Arabia announced an expatriates-only income tax to become effective this month. The tax will range from 5 per cent to 30 per cent depending on earnings, and some expatriate workers will be exempt. Page 14

Indians sink Tamii boat At least 21 Tamil rebels were killed when indian naval gun-boats sank a vessel off the north-ern Jaffaz peninsula, Sri Lankan

Iran 'training Afghans' iran was instructing Afghan guerrillas in special schools and giving them practical battle training in the Gulf war, the Soviet newspaper levestia said.

Colombians upset

Colombia said it had never. promised the US it would hold reputed drug boron Jorge Luis Ochoa in juil and called Washington's attitude about the case.

Bangladesh demo

Bangladeshi police used teargas and truncheons to break up a demonstration in Dhaka by 10,000 protesters urging voters to boycott parliamentary elections planned for February 28.

US oil spillage

A massive oil spill from a factory-near Pittsburgh stretched along 24km of the Monongahela River, forcing the evacuation of 1,200 people because of fire risk

Post for Nkomo

Zimbabwe's executive president opposition leader Joshua Nkomo in a new 27-member Cabinet, consolidating a merger of the country's two political parties.

doj sniw wobiW

star and politician M.G. Ramas chandran won a bettle to succeed her husband as chief minister of the southern indian state. She had no experience in politics or administration. Page 3 The widow of Tamil Nada film star and politician M.G. Rama-

Philippines shootings

Gunmen wounded the head of a presidential anti-gambling task force in the Philippines and killed two of guards. In separate incidents, three candidates for regional elections this month were killed and six people died in fighting on Mindanao Island.

Gorbachev visit likely Soviet leader Mikhail Gorbachev seemed likely to visit West Germany this year. Page 2

Natal feuds toll

Ten more blacks died in heightened feuding in Natal and a leading black newspaper said the lighting cost a shadow of anarchy over the dream of a post apartheid South Africa. Page 2

'Air crash theory

West German Boeing 737 near Izmir in which all 16 people on DEE CORPORATION, the

Uruguay rail protest

Railway workers and passengers demonstrated against a Uruguayan Government decision to end all passenger train services.

SAUDI ABABIA is to open a government securities market this year. Page 16

Supplies for Khost The Afghan Government said a relief convoy reached the town of Khost, besieged for three months by Western-backed reb-

Soviet space plans The Soviet Union will add extention Mir this year, conduct space research with France and Poland

and send a probe to one of the moons of Mars, according to a senior space official.

Defector returns

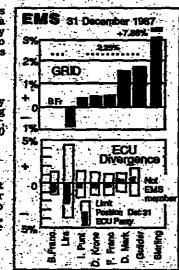
Former West German army major Bruno Winzer, 75, major Bruno Winzer, 75, returned to his homeland almost 28 years after defecting to East Germany.

Japanese take 48% of chips market

JAPANESE companies claimed 48 per cent of the world semi-conductor market in 1987, with Toshiba moving up to second place behind Nippon Electric Page 17

FEENCH authorities are expected to approve a FFr3.68bin (\$694.3m) bid by Grand Metropolitan, UK drinks group, for Martell, 272-year-old French cognac house, according to Mr Georges Chavanes, French minister for commerce, services and craft industries Page 17

EUROPEAN Monetary System: Currencies traded quietly over the post Christmas period, with the dollar's continued fall catching most attention. Most catching most attention. Most traders expected continued that certain members of the downward pressure on the dollar such this gave rise to fears that the strength of the D-Mark would create further strains within the EMS. Weaker curves within the EMS. Weaker curves cless were still within their divergence limits but there was doubt as to whether some form of the provide information to investigations from them. as to whether some form of re-alignment could be avoided before Presidential elections in



ira) may move by more than 24 per cent. The lower chart gives each currency's diver-gence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European curren-

TOKYO: The market opens today after a prolonged holiday

PLETCHEE CHALLENGE, New Zealand forest products group, lies completed its C\$19 a share offer for British Columbia Forest Products by increasing its overall holding to 67.5 per cent from 48 per cent. The move from 48 per cent. The move sidesteps criticism from some institutions that the price was

TAIWAN authorities have detained several officials of stockbroking firm Da Shing

supermarkets business, is considering severing links with Citi-bank, because of the US bank's role in financing Barker & Dob-son's hostile \$2bn bid for Dee

Page 2

MALTA Premier visits Libya today to sign a deal for Libyan oil at below the official Opec

Hong Kong acts to calm reopening of stock exchange

The management of the Hong Kong Stock Exchange has been transferred to a special committee as part of a series of moves aimed at ensuring that trading will not be disrupted when the market reopens this morning following the arrest of Mr Ronald Li, the exchange's former chairman, and two other stock exchange officials.

In the wake of the arrests at the weekend, a number of ursent

the weekend, a number of urgent meetings were called across the territory to try to ensure that trading would run smoothly. The Government demanded

exchange, in case of conflicts of interest, or in case they had to provide information to investigators from Hong Kong's powerful Independent Commission Against Corruption.

The request was followed by news from the exchange that its general committee was in effect being suspended, with its powers being transferred to a special management committee.

The new committee does not include Mr Charles Sin, who took over as chairman of the exchange from Mr Li less than a month ago, or four of the exchange's five vice-chairmen. Mr C.W. Tsang, secretary to the management committee, has also been replaced. The arrest of the exchange's

with inquiries in progress for many months into the operations of the stock



lapse of world stock markets.
The commission inquiry is thought likely to be connected with company share listings and related exchange operations.

in theory, the arrests should not affect stock market trading, but the exchange has for so long been tightly controlled by Mr Li, and so closely linked with him, that a negative reaction cannot be ruled out. Officials of the London and New York stock exchanges were kept informed over the weekend. controversial former chairman and two other official by the commission was in connection

Worries about a negative man exchange.

After a day of interrogation, on awareness that the reputation of Hong Kong's securities industry was tarnished during the released on ball of HK\$10m world stock market crash, and (\$1.29m). No charges have been laid against Mr Li or the other officials—Mr Jeffrey Sun, chief executive, and Mr Donald Tsang, to suspend trading for four days. head of the listings committee.

Worries about a negative market response were in part, based was response were in part, besed on awareness that the reputation of Hong Kong's securities industry was tarnished during the world stock market crash, and the released on awareness that the reputation of Hong Kong's securities industry was tarnished during the market response were in part, besed to awareness that the reputation of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the control of Hong Kong's securities industry was tarnished during the more discounted by the con

which was unique among the world's main bourses and sat uncomfortably with the territory's claim to be a free market — was why share prices fell further when the exchange eventually opened than they had in any other leading market. Many shares are still languishing at between 20 and 50 per cent of their pre-crash value.

their pre-crash value.

Since the collapse – which forced a HK\$2bn rescue of the bankrupted local futures market - Hong Kong Government offi-cials have taken a number of steps to restore confidence, although until Saturday's arrests they took no steps to distance Mr Li from the daily operation of

Ronald Li: released on bail

All three have surrendered their passports. An official of the commission — which answers only to the Governor — said only that

mission — which answers only to the Governor — said only that inquiries were continuing. It has nevertheless been made clear that the arrests have no direct link with the October, collapse of world stock markets. The commission inquiry is thought likely to be connected with company share listings and former chief executive at Lloyd's of London, and is expected to propose major reforms when it reports in the middle of when it reports in the middle of this year.

> For local and international stock market operators who after the collapse sought commitments from the Government that operations would be significantly tightened, news of Mr Li's arrest
> - whether charges are brought
> or not - will bring comfort that their complaints of slipshod exchange management and idio-syncratic practices are being taken seriously.

There was no indication yesterday of how long the commis-sion investigation would continue, of any charges that might be laid against the three arrested men or of any further possible

Li's fail from grace, Page 17

raids on targets in Lebanon kill 19 By Nore Boustany in Beirut

copters attacked Palestinian targets in Lebanon on Saturday night, killing 19 people and wounding at least 14, according to Lebanese police and hospital officials.

Israel defied US pressure

trolled hills and coastal villages

Israeli aircraft bombed military and civilian concentrations in the coastal villages of Damour and Jiyeh, as well as the Sunni

Near Sidon, Israeli jets raided guerrilla positions around the Palestinian refugee camp of Ain al Helweh and the Awali junction, only a short distance away from Syrian-manned check-

belongs to the pro-Syrian Popular Front for the Liberation of Palestine, which claimed respon-sibility for the November hang

The multiple Israeli air raids followed a two-day standoff

ISRAELI AIRCRAFT and heli-

The raids appeared to be the long-awaited reprisal for the Palestinian hang-glider attack against an Israeli military camp on November 25 in which six Israeli soldiers died and eight were wounded. Israel had vowed to avere the attack but water. to avenge the attack but, under US pressure did not retaliate immediately.

Yesterday the Israeli Army insisted that the raids were not "specifically" in retaliation but rather part of the "continuing policy of war against centres of terrorist activity in Lebanon." The Israeli attacks targeted Palestinian bases in Druze-con-

and served deportation orders on nine Palestinian activists in the occupied West Bank and Gaza Strip. Security forces were alerted in anticipation of renewed disturbances after the announcement and following the death of a 25-year-old woman, killed when border police fired at rioters in a village north of Jerusalem. Page 2

north-east and south of the port city of Sidon.

Moslem township of Barjah, all under Druze control, while helicopter gunships laid down a barrage of covering fire and other israeli jets dropped flares.

for the past five years. A guerrilla base hit there

Continued on Page 14

The UK Chancellor tells Philip Stephens how he sees 1988 economic prospects

Weak dollar the principal threat

THE 'excessive and unprece- recession. So far as the UK is dented' fall in the value of the concerned, the Autumn State-

In a new year interview with the Financial Times, Mr Lawson says he remains committed to seeking to hold sterling stable against other major currencies, above all against the D-Mark. The informal link with the West German currency established last year is "what British industry wants," and provides an easily recognised anchor against inflation, he argues.

In a confident assessment of Britain's prospects for 1988, the Chancellor predicts a further year of healthy economic growth and a continuing fall in unemployment, in spite of October's stock markets crash.

He confirms that tax reform remains one of the Government's priorities, but indicates that the cuts in income tax expected in the spring Budget will not come at the expense of much higher public borrowing.

Mr Lawson acknowledges dif-ferences between the Group of

Seven industrial nations over policy co-ordination, but says its recent communique underlines a joint commitment to a co-opera-

joint commitment to a co-operative strategy.

In spite of the political obstacles, he says that recent events have reinforced his determination to press a plan for a system of "managed floating" of exchange rates to secure greater worldwide stability.

Mr Lawson says the Government is determined to see a further fall in Britain's inflation rate, but adds that it has no rate, but adds that it has no plans to set a precise timetable for its eventual goal of stable

Q. The world stock markets' crash has cast a shadow over economic prospects. Are you confident that Britain's econ-omy will continue to grow fast enough in 1988 to bring further falls in unemploy-

mountains, six houses were flat- the context of the far more mastened and a two-storey building sive rise over the past five years brought down. The area, known - indeed share prices still manas Iqlim al Kharroub, has been under control of the mainly began it, as the excessive Druze Progressive Socialist Party and unprecedented fall in the dollar. Happily, however, it is now clear that prior to the col-lapse of confidence in the finan-cial markets most of the major economies - including in particular our own - were growing more vigorously than the pundits had recognised. So although I would expect some slowing down in world economic growth in 1988. I see no sign whatever of

ANZ. The bank

with the global view.

dented fall in the dollar poses the main threat to world economic prospects in 1988, but there are no signs of an impending recession, Mr Nigel Lawson, the Chancellor, says today.

The dollar poses the main threat to growth for the non-on although well below the likely 1987 outturn, would be a thoroughly healthy performance, achieved only once in the whole of the 1970s, and I would expect it to be accompanied by further with an accompanied by further will, of of the 1970s, and I would expect it to be accompanied by further falls in unemployment. I will, of course, be publishing a further forecast at the time of the Bud-

> Q. You have sought to miti-gate the impact of the crash through cutting interest rates. Will this continue to be the policy? How determined are you to hold sterling below DM3.00 through intervention and cuts in interest rates?

A. The 11/2 per cent reduction in UK interest rates to which you refer - which it is important to recall, followed a 1 per cent increase in August - and the decision to let some of the recent foreign exchange market inter-vention temporarily to add to domestic liquidity, do not imply any weakening in the Govern-ment's commitment to defeat inflation. These steps were needed partly to mainrain confi-dence at a particularly delicate time and partly to offset the tightening in monetary condi-tions brought about by the fall in the equity market and the rise in the sterling exchange rate.

I have made it plain that it makes sense to continue to pur-sue a policy of seeking stability for sterling, with the exchange rate against the D-Mark being of particular importance. This is what British industry wants, and at the same time it provides an anchor against inflation which the markets can readily understand. We have demonstrated our commitment to this aim throughout the past year.

Q. If the pace of economic growth slows significantly, is there scope for a relaxation of fiscal policy, particularly since public borrowing here is lower than in, say, West Ger-

A. What has cast a shadow over A. The German economy is curworld economic prospects is not rently suffering from a sluggish so much the sharp fall in equity growth rate, which automatiborrowing unless measures are taken to reduce it - steps which would not be warranted in current circumstances. That is not the case with the British economy, which looks set to grow at a satisfactory pace in 1988. I will, of course, decide the appropriate level of next year's public sector borrowing requirement at the time of the Budget, when the prospects for 1988-89 will be clearer than they are today. But what I can say is that the soundness of our public finances is a

Continued on Page 6

'undermining' reforms BY CATHERINE MCELHINGEY IN MOSCOW GOVERNMENT ministries in being curtailed by the ministries fernt name, he said. Moscow are undermining crucial who intend to cream off large on agriculture he economic reforms introduced in percentages of profits. "Ministries have described to the percentage of profits on the percentage of profits." "Ministries have described to the ministries for the manual series and the percentage of profits."

Moscow ministries are

economist has warned.

Mr Nikolai Shmelyov, an influential Soviet economist, writing in the progressive weekly Moscow News, said that the new Law of State Enterprises, the centrepiece of Mr Mikhail Gorbachev's economic reforms, is expected to have little impact.

The law messad has a manager of the statement of

Air Crash meory while investigating possible ille-Turkish officials said sabotage gal trading after a major default, might have caused the crash of a Page 17

VENEZUELA: Direct foreign investment in Venezuela stood at \$1.795m at the end of 1987, up 36 per cent — or \$477m — from the figure for year-end 1986, according to Mr Juan Carlos Per-ez-Segnini, Venezuela's superintendent of foreign investment.

FREE TRADE pact between the US and Canada was signed on Saturday by President Ronald Resgan and Prime Minister Brian Mulroney in simple ceremonies held nearly 3,000 miles apart.

INDONESIA expects to earn \$1bn from tourism in calendar 1988, up from around \$700m in 1987, Tourism Minister Achmad Tahir said.

Soviet industry, a leading Soviet economist has warned.

The law, passed last summer and implemented at the start of this month, aims to reduce the ministerial anthority by switching 60 per cent of all Soviet

"Ministries have decreed a long-term norm of deductions from the enterprises' profits to the ministries' funds to the tune of 80-90 per cent or even more for some industries," he said.

Little seems likely to change from the past, he said. Ministries will continue to control the spending of all enter-prise funds.

Equally, nothing can be bought without first asking permission from the ministry.

Mr Shmelyov notes that orders industry to cost accounting, giving industrial managers greater
decision-making power and making enterprises responsible for
their own financing.

However, he warns that industrial financial independence is of central planning under a dif-

On agriculture he argued that in order to bring changes common sense was required to release the farmer from the pressure of the pyramid of administration, the uselessness of which is now clear to every-one but which provide a job and a cosy existence for people."

He said that the conservative forces holding back the second stage of "perestroika" (restruc-turing) might be motivated by a desire to retain their privileges, or by economic ignorance or inertia.

Mr Shmelyov's critical warning came after a spate of articles in the Soviet press in the weeks leading up to the introduction of the law which discussed the confusion and doubts assailing the

Sanofi wins control of Robins

BY PAUL BETTS IN PARIS AND ANATOLE KALETSKY IN NEW YORK

A.H. Moranicals concern.

Robins, which filed for Chapter 11 protection from its creditors in 1985 following a series of lawsuits over its Dalkon Shield contraceptive device, selected Sanofi above Rorer and American Home Products, both of the US.

The attitude of the claimants also remains in question. Some may appeal against any approval a contraceptive device, selected Sanofi above Rorer and American Home Products, both of the US.

The attitude of the claimants also remains in question. Some that payments made by Sanofi to Robins' shareholders should instead be added to the Dalkon Shield trust fund. much as \$600m. It will also provide a \$2.375bn credit line for a

SANOFI, the French pharmaceuticals company controlled by the hige, the federal bankruptcy state-backed Elf-Aquitaine oil group, has emerged as the winner in the battle for control of posals for spreading out payments to Dalkon Shield claimants over five years will be

clarified. Sanofi's offer appears

However, Sanofi wants to invest in Robins by buying con-vertible prefered stock from the company itself rather than by buying shares from Robins stock-holders. It will therefore be several days before analysts come to a firm conclusion about the true cash value of the bid. Sanofi's commitment to main-

tain Robins' existing top man-agement is believed to have helped it win favour at the head of the US pharmaceuticals group.
The French Government is understood to have followed the Further, the financial implicatransaction closely - it is the tions of the deal have still to be principal shareholder of Sanofi

In the past Australian banks through its controlling stake in trust fund to administer and set to value the company's total Elf-Aquitaine. The Government the the Dalkon Shield claims. The equity at around \$100 m or almost was apparently keen to ensure trust fund will receive an initial \$40 a share, a much higher price that the acquisition would be than the \$450 m offered by Rorer financed by Sanofi and not by The deal will have to be and the \$550 m bid by AHP. have tended to concentrate on their home market to do business. Not so at Australia and New

assets of over £26 billion. The group has an international nerwork with more than 1,600 branches and offices in over 40

Zealand Banking Group, which includes Grindlays Bank and has

countries. Both ANZ and Grindlavs have over 150 years experience in financing international trade and today offer a full range of banking and

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mry:-55 Gracechurch Street, London EC3 0BN. Tel: 01-280 3315 (Enquiries) MUSTRALIA DRAHAMAS DAHRANDRANGLADE SHORR VOLOCUN UN OCCULIN BELINDS OPERPLELROF CHIN TO FIJIO PRANCE OF ROBINATO GRANAGORE CE CERNET ORONO MACONDE SANDERS AND ARANOT TILIO JUTI VOJE REFLOJERIANO EENHO PERPUBLICO OF ROBELO MALASTA ONON COLONIAL ON EN ZEALANDON JUTI VOJENIA NA VOJENIA DA POJENIA O INE SOLINE CARROS REAR POR ESCULISTO NELANDA SOND ANTE LONGA VOTENIO AND SOLINIA DE PORMISTA DE PROPERTO DE LONGA DE PROPERTO DE LONGA DE PROPERTO DE LA REPORTA DE LONGA DE PROPERTO DE LA REPORTA DE LA REPORTA DE LONGA DE PROPERTO DE LONGA DE PROPERTO DE LA REPORTA DE LA REPORTA

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THE MONDAY PAGE

NTERVIEW

Pakistan: plans to cut through its red tape Justinian: Spycatcher - UK judges bow too willingly .

John Lloyd meets Jakobovits, British Commonwealth's Chief Rabbi, Page 10

Editorial comment: New Year resolutions US economy: at the mercy of investors 12

UK economy: some pleasant surprises Lex: searching for a bear market 14 UK industrial prospects: section [1]

Israel to expel 9 Palestinians in occupied area

of the expulsions and after a 25

-year-old woman was killed
when a border police patrol fired live ammunition against rioters in the village of a-Ram, north of

Two of the soldiers, a company commander and a private, were suspended from duty last night on suspicion of violating regulations governing the use of live

Five of the nine to be deported are from the West Bank and four from Gaza. Most of them have rom Gaza, Meet of their nave served prison sentences for secu-rity offences. Two were released in May, 1985, when Israel exchanged 1,150 Arab prisoners for threesoldiers captured in the Lebanon war.

A military spokesman identi-fied five of the nine as with the mainstream Al Fatah organisa-tion of Mr Yasser Arafat, one with Mr George Habash's Popular Front for the Liberation of

Palestine, and three with Muslim fundamentalist groups.

None belonged to Mr Ahmed Jibril's Popular Front (General Command), Israel's partner in the 1985 exchange. The Jibril organisation was the main target of an air strike early yesterday on Palestinian bases in southern Lebanon, in retaliation for a

ISRAEL yesterday defied US pressure and served deportation orders on nine Palestinian activists in the occupied West Bank and Gaza Strip.

Security forces were alerted in anticipation of renewed disturbances after the announcement of the expulsions and after a 25 connection with the latest disturbances.

A military spokesman told for-eign correspondents that depor-tation was being used as the most extreme measure after all others had failed." He indicated that, unless there were a return to disruptions on the December scale, no one else would be

As a further incentive to the Arab population, Israel yesterday released 100 of the 1,200 Arab youths detained in the past three weeks, with the promise that more would follow if peace prevailed.

The spokesman declined to say where the deportees would be sent. Jordan and Egypt have announced that they will not accept them. The only alternative would be Lebanon.

The US, Israel's most powerful

ally, had warned Jerusalem not to resort to deportations. Prime Minister Yitzhak Shamir and other ministers replied that Israel alone could decide how to look after its own security. Deportation remained a live option. The Government hopes Washington will acquiesce in the use yesterday of this weapon

against hard-core activists.
According to the army, 19 Palestinians have been expelled Israeli soldiers in November.

The nine have 96 hours to decide whether to appeal, first to

Islamic ministers to discuss Arab unrest

the unrest in Israeli held Arab territories today, and Palestinian sources said yesterday that the Palestine Liberation Organisation would urge full support for Arabs there, Reuter reports from Rabat. "We shall ask for all possible support and help to our brethren in the occupied territories, a PLO official said.
The PLO is on the Islamic Con-

ference Organisation's 15-member Jerusalem Committee, which Morocco's King Hassan has sum-moned to discuss what he called the bloody events in the occupied territories and to adopt 'a clear and sound position, without any sectarian or partisan

King Hassan called for an Islamic summit last year follow- and Syria to attend the two-day ing violence between Iranian pil- meeting at foreign ministers' grims and Saudi Arabian secu- level.

ISLAMIC ministers will discuss rity forces in Mecca in July but diplomats say the response was

> The UN Security Council and the US, Israel's main ally, severely criticised Israeli meth-ods of suppressing what the Arabs have termed the December 9 uprising in the Gaza Strip

Israeli troops shot dead at least which spread to the occupied West Bank. Hundreds of Pales-

tinians were arrested.
The Jerusalem Committee was originally due to meet eight days ago but the meeting was post-poned at Saudi Arabia's request because the date clashed with a Gulf Co-operation Council summit in Riyadh.

did not expect Iran

Bulgaria may let more ethnic Turks emigrate

BY DAVID BARCHARD IN ANKARA

and Bulgarian governments may mean that some ethnic Turks in Bulgaria may be allowed to join their families in Turkey, Mr Tur-gut Ozal, the Turkish Prime Min-

Mr Ozal was speaking at a press conference to mark the return to Turkey of Miss Aysel Ozgur, 16, after an 18-month campaign by the Turkish press. The prime minister said that the Bulgarian authorities had allowed Miss Ozgur, who had been separated from her family

for five and a half years, after Turkish television had agreed to hult transmission of a series of programmes about the sufferings of Turkish families in Bulgaria. The plight of the 800,000 ethnic Turkish minority in Bulgaria has been a leading national issue

in Turkey since the Bulgarian Government embarked on a forc-

A DEAL between the Turkish forced to adopt Bulgarian names and Bulgarian governments may and abandon their Turkish iden-

and abandon their Turkish identity. According to Amnesty International, nearly 100 Turks have been killed by the Bulgarians for resisting these policies.

Bulgaria denles that there has been any persecution of the Turks and says that the name-changing has been voluntary. However it has not allowed Turkish or other independent international observers or jourinternational observers or jour-nalists to travel to the main Turkish settlement areas.

Turkey has said that it would be willing to take all 800,000 of Bulgaria's ethnic Turks. Bulgaria has rebuffed the proposal.

The dispute is likely to be a big

issue at a summit meeting of Bal-kan states to be held in Belgrade on February 12. In the last year Bulgaria has allowed 36 ethnic Turks, mostly children to rejoin their families

Gorbachev likely to visit Bonn this year



Donat Cattin: behind

Italian minister's terrorist son freed

By John Wyles in Rome "COMMANDANTE
ALBERTO", a former leftwing terrorist leader,
self-confessed triple
murderer and son of a leading Christian Democrat politician, has quietly returned to society after a compara-

tively benign seven-year term of imprisonment. term of imprisonment.

The release of 34-year-old Marco Donat Cattin was only confirmed at the weekend although it seems that his debt to society was declared legally paid just before Christmas. In fact, the handsome, dark-haired monetachioed former leader moustachioed former leader of "Prima Linea" appears to

of "Prima Linea" appears to have been enjoying nearly full freedom since last May. To some magistrates and observers, the young Cattin has long seemed to enjoy a treatment whose benevolence may not have been totally unconnected with the fact that his father is Mr Carlo Donat Cattin, the Mr Carlo Donat Cattin, the Minister for Health and a faction leader of some importance in the Christian Democrat party. Mr Fran-cesco Cossiga, President of Italy, resigned as prime minister in late 1980 amid allegations that he had warned Donat Cattin Sr of the imminence of an arrest

warrant for his son.
The official line is that the former terrorist's 12 years of imprisonment have been commuted because of his clear dissociation from his past associates and because of the help he pro-vided the authorities in naming and capturing other terrorist leaders. His lawyers and some investigating magistrates have denied viduals other than those involved in the crimes he

committed.
These included the murder in January 1979 of the Milanese judge, Mr Emilio Alessandriui, the murder two months later of a stu-dent in Turin and also of a Turin barman in July of

that year. Donat Cattin was arrested in Paris in December of 1980 after being implicated by another terrorist who had turned state's evidence. After earning sentences totalling 12 years from a number of courts, the young terrorist acquired an extra two months for making love to a young woman in the prison at Alessandria.

Paradoxically, his release coincides with a period of increasingly intense debate about the future of the political institutions which he and his comrades of the specialistic description. so-called anni di piombo (years of lead) were bent on destroying. In his New Year's Eve message, President Cossiga asserted that the constitution, which celebrated its 40th anniversary last month, needed only an

MR MIKHAIL GORBACHEV, the The Soviet news agency Tass announced yesterday that Mr Milos Jakes, the new Czechoslovakian leader, will visit the Soviet Union soon, AP reports from Moscow. Tass said only that the working visit would be "in coming days" at the invitation of the Soviet Communist Party Central Committee, headed by Mr Mikhail Gorbeches. Soviet leader, looks likely to visit West Germany this year, after the successful trip to Moscow last week by Mr Franz Josef Strauss, the Bavarian Prime Min-Mr Yuli Kvizinsky, Soviet achev. The visit will be the first for the 65-year-

sing months.

Signalling Moscow's wish to win compliance from Bonn over further disarmament moves and on co-operation over high tech-nology. Mr Kvizinsky said the German-Soviet political dialogue had increased in quality. He called for the two sides, in

German-Soviet political dialogue had increased in quality. He called for the two sides, in parallel or together, to adopt common goals on further Geneva ago after a hapless remark by disarmament talks. He also urged Chancellor Helmut kohl, comnew forms of economic ties, involving a firmer commitment to the Soviet market by West German concerns. If West Germany wanted to build up its project of the super-powers disarmanosition in the Soviet market, ment breakthrough, but also

"you have to put in not just one leg, but to step in all the way," he said. Relations between Bonn and

proponent of reform.

Tass gave no indication of the agenda for the visit, but a leader of such a Soviet ally would be sure to meet Mr Gorbachev and the two men would be likely to discuss Prague's economic and social concerns of old Mr Jakes since he succeeded Mr Gus-tav Husak as party leader in mid-Decem-ber. Mr Husak had been in power since the Soviet invasion of Czechoslovakia in 1968

reflects Moscow's specific desire to play the German card in improving links with the West.

A visit to Bonn this month by Wisbly pleased and surprised by the warmth of his welcome, Foreign Minister, will help to prepare a prospective Gorbachev with Mr Gorbachev.

The Societ leader poid tribute

that ended the political debate and

reforms which have come to be known as the Pragne spring.
Czechoslovakia is weighing the need for economic and social changes of the type being attempted in the Soviet Union, but Mr Jakes is not considered to be a strong

foray to Bonn.

Mr Strauss, leader of the ultraconservative Bavarian Christian
Social Union party, had not visited Moscow before during his
long political career. This was on
the grounds that the Soviet
Union had not been prepared to

with Mr Gorbachev.
The Soviet leader paid tribute
to Mr Strauss's "realism" and
held out an olive branch towards
ideas on German unity by going
along with the notion that East
and West Germany remained a
single nation split into two

At a news conference in Munich on his return, Mr Strauss said Bavarian companies in the machine tools, vehicles, electrical and medical sectors would profit from his visit.

To build up atomic energy cooperation, the Soviet Union expressed interest in visiting the controversial Wackersdorf nuclear reprocessing plant, now in the early stages of construction in eastern Bavaria.

During Mr Strauss's stay, the

During Mr Strauss's stay, the Kremlin is believed to have put forward traditional complaints forward traditional complaints over impediments to trade caused by Western controls on export of technology to the Soviet bloc. Mr Strauss said in Munich that the list of embargued technology maintained by the Cocom organisation, which supervises this matter, was becoming less of a hindrance in view of political rapprochement.

Mr Strauss, who is also chair man of the supervisory board of Airbus Industrie, said the idea of Airbus sales to Moscow did not

Canada,

US sign

trade pact

THE FREE TRADE pact between

the US and Canada was signed on Saturday by President Ronald Reagan and Prime Minister Brian Mulroney in simple ceremonies held nearly 3,000 miles

apart. While President Reagan accom-

By David Owen in Ottawa

French political financing bills soon

THE French conservative government has confirmed its plans to table two bills on political party financing this month, before next spring's presidential

election.

The two bills will set a ceiling on election campaign funds and will oblige candidates in presi-dential, legislative and local elec-tions to disclose their personal

pontical parties which could ical party financing legislation include a contribution from the for the first time in France was state budget as well as private taken last year by Mr. Chimain Sources.

The office of Mr Jacques Chirac, the Prime Minister, indicated at the week-end that the two bills were expected to be tabled in an extraordinary session of parliament before the end of this month after they had been approved by the Council of State and the cabinet.

wealth.

The government will also ask the French parliament to draw up proposals on the financing of

Gulf states' unified currency

The summit communique mentioned the scheme in just

masks a lack of real progress."

Oman pegged its rial to the dollar in 1973, while the Saudi,

Bahraini, UAE and Qatari currencies are all in practice linked to the dollar. Kuwait pegs its

dinar to a basket of currencies, but it is weighted heavily

987 and detailed technical mod-is were formulated.

A key point would have been states over what would be the will take to be implemented."

plan runs out of steam

AN AMBITIOUS scheme for a to break with a close link to the

unified currency system among dollar and instead create a peg to six Gulf states has run out of a basket of currencies reflecting steam, with leaders reluctant to the trading patterns of the six sever a traditional link to the states more closely.

dollar and turn their back on
Washington, according to bank
ers, Reuter reports from Bakfor their annual summit, discus-

Moderate Gulf states appear to sion of economic matters was have decided that now would be overshadowed by the Gulf war. The summit communique lobbles hard for an end to the mentioned the scheme in just

Gulf War and its navy protects one paragraph, saying: "The Kuwaiti oil tankers from Iranian council looked favourably upon

attack in the waterway's danger- steps undertaken towards the

ous shipping lanes.

"Leaders seem to have decided there was little to gain politically from turning their back on the dollar," said one Gulf-based banker. It would give the wong.

banker. "It would give the wrong signal."

The six states — Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - are heavily dependent on the dollar the currence in which the dollar the currence in which the dollar the saudi Arabia to the dollar the saudi Arabia the Saudi A

pean Monetary System (EMS), towards the dollar.
was widely discussed during Apart from the political sensi1987 and detailed technical modtivities, there appears to be con-

controversies over dubious pointi-cal funding practices in France. Mr Chirac has already met, on two separate occasions in November and last month, the leaders of all the main political parties to discuss this delicate

Although the government has not disclosed the details of its proposals, the ceiling for presidential election campaign spending for individual candidates is expected to be set at about FFr100m (S10m) to FFr150m.

The main collitical nation

The main political parties appear to agree on the broad principles of the two new bills to taken last year by Mr Chirac in principles of the two new bills to the wake of a growing series of set a ceiling on campaign

proper peg for their currencies. Some favour using the Interna-tional Monetary Fund's (IMF)

basket, the Special Drawing Right, made up of the West Ger-

man mark, Japanese yen, French franc, British pound and the dol-

Others argue for a basket of

currencies tailored specifically to the region. This too has sparked a conflict of interest since the Gulf states pursue different investment policies and a change might expose some to greater currency risks than others.

Saudi Arabia, for instance, has

invested heavily in the US bond markets, while Kuwait has used

its oil wealth to buy shares,

Once a common peg was agreed, the six currencies would

be allowed to fluctuate against each other by a maximum of 74

Central banks would intervene

But one banking source said:

"There is still an awful lot that needs to be done. The scheme

from a joint fund to keep curren-cies within those parities in a system very similar to that now in operation in Europe.

expenses and force candidates to disclose their personal wealth. However, there are wide differ ences in appreciation over the financing of political parties, with the left lavouring a state-funded system and the right preferring a private or at least mixed private and public fund-

ing system.
in a clear effort to avoid find ing himself in the middle of a new political controversy, Mr Chirac has thus preferred to side-step this thorny issue by referring it to parliament, asking it to make specific proposals rather than tabling a govern-ment bill at this stage.

on West Bank

By Our Amman Correspondent

JORDAN's Prime Minister Zeid

al-Rifai predicted yesterday that more violence between the Pal-

estinian inhabitants of the Israe-li-occupied West Bank and Gaza

would flare in the absence of prospects for a political solution to the Arab-Israeli conflict.

"What happened was a sponta-neous reaction of the people ref-

using continued occupation without any hope of a settlement in sight." Mr Rifai said.

"We believe that as long as

we believe that as long as there is no chance of a settlement in sight, what happened in the West Bank and Gaza is only a beginning," he added.

The Jordanian Prime Minister said that Jordan felt that the

Middle East settlement was through the convening of a UN-

sponsored conference to be attended by all the parties to the

UN Security Council members.
He denied recent statements
made by Israeli Foreign Minister
Shimon Peres that there was a

document of understanding known as the London paper

between Jordan and Israel on the proposed conference.

the powers, scope and issue of representation

However, Jordan had discussed

plished the task in the seclusion of a lavish private estate in Palm Springs, California, Mr Muironey completed the signing with little fanfare in his Ottawa office. The event was greeted by a series of minor demonstrations Jordan expects held by supporters and oppo-nents alike in locations rang-ing from Parliament Hill in further violence

Ottawa to the Ambassador Bridge linking Detroit and Windsor.
In a statement issued to mark the signing, President Reagan emphasised the international

importance of the deal, claim-ing that it "will encourage supporters of free trade through out the world". "The creation of the world's largest free trade aren will be a mark of leadership," Mr Reagan added, "and presents an historic opportunity to the United States and Canada."

The agreement still faces political hurdles on both sides of the border before its scheduled January I; 1989 effective date. Legislation to implement it must be passed by both Houses of Congress and the Canadian Parliament. the US, proponents fear that

Congress may use its approval as a bargaining chip to secure Administration concessions on the omnibus Trade Bill, Meanthe omnous Trade Bill, Mean-while, both principal Canadian opposition parties have vowed to fight the pact which the Liberal leader, Mr John Turner, described as "the Sale of Canada Act".

Ten blacks die as Natal feuds spread

TEN more blacks have died in heightened feuding in Natal Province, and a leading black newspaper said yesterday that the fighting cast a grim shadow of anarchy over the dream of a post-apartheid South Africa, Reuter reports from Johannesburg.

In a statement on political

In a statement on political unrest, police reported 10 deaths of blacks in Natal on Saturday, where 75 people were killed in December. The toll was one of the worst since

toll was one of the worst since a power struggle erupted a year ago in the black townships of Natal.

Rivalries between the conservative Zulu-based Inkatha movement and South Africa's biggest anti-apartheid group, the United Democratic Front (UDF), lie behind the carnage. City Press, a Johannesburg newspaper with a wide black readership, said restoring peace in the area was imperative.

Police said five men died on Sat-Police said five men died on Sat-

rouse said tive meh died on Sat-urday in clashes between two groups in Mpunduza township, three men were stabbed to death in nearby Deda and a 13-year-old youth and a man died of stab wounds elsewhere in the cluster of pover-ty-stricken townships near Pie-termaritzburg.



Venezuela attracts 36% more foreign investment BY JOSEPH MANN IN CARACAS

DIRECT foreign investment in Venezuela stood at \$1.795bn at the end of 1987, up 35 per cent or \$477m - from the figure for year-end 1986, according to Mr Juan Carlos Perez-Segnini, Venezuela's superintendent of foreign investment.

Mr Perez-Segnini said that a considerable volume of new investment funds entered the country in 1987, a marked improvement over previous years. In 1986, Venezuela issued a new foreign investment code which eased conditions for overseas investors, eliminated red tape and offered new incentives.

the dollar, the currency in which

they sell oil.

The plan to bring together the six states' currencies within a common framework, based loosely on the successful Euro-

els were formulated.

Most of the new investment registered in 1987 went to the industrial sector, with the metal-lurgical, mining, chemical, petro-chemical and food processing areas leading the way. While Venezuela is interested in debt equity swaps, achievements in

industrial enterprise. Banking sources said this swap would cover investment in a new alu-

year-end 1986, according to Mr
Juan Carlos Perez-Segnini, Venezuela's superintendent of foreign
investment.

Mr Perez-Segnini said that
about 80 per cent of the investment increase came from reinvestment of retained earnings
and of other credits held by foreign companies aiready located
in Venezuela. However, he noted

1 1986, Venezuela issued a new foreign investment code which eased conditions for overvenezuela is interested in debt venezuela is interested in debt venezuela is interested in debt equity swaps, achievements in this area have been limited up to poin the Non-Aligned Group of new.

The superintendent said that are limited up to poin the Non-Aligned Group of new.

The superintendent said that said, and the only thing required in venezuela. However, he noted

Ministry of Light Industry joins war of words, Our Peking Correspondent writes

China's press leads consumer rights battle Peking area and having been repaired and found to be unusable.

journalists have been involved in a running war of words with a government department, accus-ing the Ministry of Light Indus-try of cancelling an exhibition

ers.
Xinhua, the official New China News Agency, said the decision to call off the exhibition at the lost minute was a "farce". The Economic Daily attacked the ministry's actions as a "humiliating disgrace" and a "turnabout". Now, the ministry has replied by taking the highly unusual step of hoding a news conference for foreign journalists to defend its decision to call off the exhibition and announce new plans to strengthen consumer

planned to expose shoddy con-sumer goods, because of pressure brought by anxious manufactur-

protection.

"Our goal in organising this exhibition was to establish a kind of social pressure on manufacturers to let them realise that they should serve consumers and do a good job, said Gong Zho Rong, deputy director of the quality, supervision, and management committee of the Ministry of Light Industry.

CHINA'S state-run media are not known for hard-hitting exposure attained this goal. Over the course of four months since the course of four months since the course of four months since the "We feel they have now attained this goal. Over the course of four months since the exhibition was first announced, to be part of a general trend of a discussion of consumer rights in shoddy goods."

The controversy began last toner is wrong and there is a sense that services need to be

> The controversy began with plans to hold an exhibition of shoddy goods

August when the ministry proposed that a national exhibition of inferior consumer goods be held in mid-December. More than 4,000 letters of complaints with suggestions of what poorly made goods to include poured in from the public.

But the planned exhibition experienced difficulties when manufacturers reportedly began to protest about their products being shown, and put pressure on organisers. Some factory managers even temporarily stopped selling their goods in

stopped selling their goods in Peking for fear the city's consumers would find the products inferior and recommend they be included in the exhibition.

"In most shops here, the cus-tomer is wrong and there is a sense that services need to be improved," one analyst said.
Since the triumph of reform-oriented leaders over more con-servative elements at the recent communist party Congress, many Chinese Journalists feel the constraints are not so tight

also a safe one."

With the media beginning to exercise its muscle, the Ministry of Light Industry has gone on the offensive.

Gong Zho Rong, the exhibition organiser, said the ministry's main goal after it had announced the exhibition was to use social pressure through public opinion and newspapers to force manufacturers to pay closer attention to quality control, especially after-sales service.

To be included in the exhibition, the ministry stipulated that tion, the ministry stipulated that the shoddy merchandise had to

meet several conditions, includ-ing letters of complaint from the

From the 4,401 letters the ministry received, several hundred goods met its list of conditions, but many had been repaired, leaving only 66 to be included in

More appropriate to show a videotape of the inferior goods on TV

the exhibition, according to Gong.
Among these, he said, were

The ministry said it was still dispute, perhaps it will have negotiating with the state-run some bearing on improving the Chinese Central Television about

when to show the videotape. No goods.

final decision had been made. The role of TV is another unusual aspect to this contro-After the ministry began to

receive letters of complaint ear-lier this autumn, it stored many defective products in a Peking warehouse, according to the Eco-nomic Daily.

Someone in the ministry tipped off the economic section of CCTV, which filmed the goods and showed them on television, thereby alerting the public to the ministry's alleged wrong-doing.

With the ministry now on the defensive, Gong said plans had been made to adopt several other measures to strengthen consumer protection.

It will require manufacturers to send their goods to testing centres where they will be inspected and the results evaluated in a consumers guide. It will also establish a quality control office which will supervise manufacturers and receive consumers letters of complaints.

Whatever the outcome of this dispute, perhant it will have

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ible Slavicisation policy three in Turkey. Mr Ozal's deal appears to mean that this pro-All ethnic Turks have been cess will be stepped up. GRANVILLE

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Ramachandran widow asked to run Tamil Nadu

BY K.K. SHARMA IN NEW DELIN

Mrs Ramachandran, who has no experience in politics or administration, is expected to be sworn in as chief minister by Thursday. She finds herself at the head of a sharply divided party which owed its strength to her late husband's magnetic appeal for the people of the state because of his career in Tamillanguage films. She is also a former film star.

The invitation to form the government came after intense squabbling in the raling All-India Anna Dravida Munentra Kazagham, which represents a movement to promote Tamil rights. The fierce power struggle that followed Mr Ramchandran's death has split the party and could lead a serious weakening in its position.

Mrs Ramachandran was chosen by the savernor after he recovery administration of the savernor after he recovery with the savernor after he recovery with the savernor after he recovery with the state savernment.

in its position.

Mrs Ramachandran was chosen by the governor after he personally verified the claim that 97
of the 131 party legislators in the
235-member state assembly had gle for more autonomy.

Maltese Premier starts

three-day visit to Libya

in an election in May Mr Feriech—In exchange Libya wants to Adami has consistently pro- woo Maita Into closer political moted stronger economic, com- affinity. This is difficult. The mercial and social links with only accord Mr Fenech Adami Libya, ignoring the US exertions. He has accepted Libyan offers an oil purchase agreement. Coa of crude oil at 5 per cent less Qadaffi will not be invited to than the official Opec price is visit Maita. According to the eliminating the need for pass- rules of protocol, the invition-ports for travel between the two can only come from the Maitese countries, is encouraging further president. For years now Maita Libyan industrial investments on has not had one — only an acting the island, and hope's to convince.

WORLD ECONOMIC INDICATORS

the island, and hopes to convince, head of state.

Cabinet MR ROBERT Mugabe, who

MRS JANAKI RAMACHANDRAN, widow of M.G. Ramachandran, the charismatic film
star, who died 10 days ago after
a decade as chief minister of the
southern Indian state of Tamil
Nadu, was yesterday invited by
the state governor to form a new
government.

Mrs Ramachandran, who has
no experience in politics or

supported her at a meeting president included leader, the governor included leader, the governor Mr Neilunchezhiyan, the parties.

Neilunchezhiyan, the parties.

Mr Mrs Ramachandran, who has
new br
would
members supported her at a meeting president included
leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the governor Mr Data of the parties and president included leader, the governor Mr Data of the governor Mr Data of the parties and president included leader, the governor Mr Data of the parties and president included leader, the governor Mr Data of the governor Mr Data became Zimbabwe's executive president on December 31, has included the former opposition leader, Mr Joshus Nkomo, in his new 27-member cabinet, consolidating the pre-Christmas merger of the country's two political

Mr Mugabe said the country's new broad-based government would establish a one-party would establish a one-party socialist state within three years. The incorporation of Mr Nkomo's Zapu party into the ruling Zanu (PF) established a de facto, one-party state, but the country's constitution still allows

Mugabe

includes

Nkomo in

country's constitution sail allows for a multi-party system.

Mr Mugabe said he hoped the allocation of posts would encourage armed dissidents in Matabeleland, thought to be former members of Zapu, to follow the decision of the leadership and come into the fold.

President Mugabe retained his President Mugabe retained his ole white member of the cabi-

net. Mr Chris Anderson, as minister for public services, and appointed two white deputy ministers for mines and agricul-

Mr Mugabe said that Mr Nkomo, who will rank third in the party's hierarchy behind Vice President Simon Muzenda, will be a member of a triumvirate of senior ministers in his office, whose role would include the supervision of local government, and rural and urban development. Mr Nkomo will also be part of a five-member inner cabi-

net.
Four officials of the former
Zapu party are also given government posts. Mr Joseph Msika
and Mr John Nkomo become ministers of construction and labour respectively, two other ex-Zapu members are deputy ministers.

DR EDDIE FENECH ADAMI, Libya to sanction the start of offMalta's pro-western Premier, is shore oil development on the disto pay Libya an official threeday visit from today as guest of
the two countries:

Col Muammer Qadaffi, the Libyan leader.

The move is likely to earn Mr a working relationship with its
Fenech Adami sharp criticism, North African neighbour, Mr
particularly from the US, which
Fench Adami appears deterwants Malta to sever its links mined to extract the best possi-Mr Nkomo said: "We are now trying to consolidate national unity by working together. The government hopes the develop-ment will end an inter-party rivalry that began in the early 1960s. wants Malta to sever its links mined to extract the best possi-with Col Qadaffi's regime. Since ble contribution from Libya for toppling the island's Socialist easing Maltese economic pro-Party from power after 16 years lems. in an election in May, Mr Fertech—In exchange Libya wants to

In other cabinent changes, the former Home Affairs Minister, Mr Enos Nkala, is given the defence portfolio. The former Foreign Minister, Mr Witness. Mangwende, moves to informa-tion, exchanging ministries with Mr Nathan Shamuyarira.

Anti-gambling chief wounded in Philippines

GUNMEN wounded the head of a presidential task force and killed two of his guards early yesterday. Elsewhere in the Philip-pines, assailants killed two candidates for the regional elections due on January 18, and six people died in fighting on Mindanao island, officials said, AP reports

0ct.'86 16,358 14,732 47,286 37,228 4,414 10,842 18,131

Officials said Mr Potenciano Roque, head of the presidential anti-gambling task force, was wounded in the left elbow. Witnesses said he was attacked before dawn at his residence in uburban Antipolo. The force put a news blackout on the assault.

The new bank

opening today, in London.

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Investment in 12 key industries will now be straightforward, writes Mohamad Aftab Pakistan to cut through its own red tape

that most investment targets schemes further, because of red have lagged. The country's sixth tape and lack of infrastructure five-year plan (1983-1988) will facilities.

cent growth in 1986-87, slightly order to ensure orderly and

PAKISTAN'S government yesterday announced a major attack investment has remained far
on its own red tape, which has below expectation, with some
stifled investment for the past
two decades.

During the whole of the fifth
Investment in 12 key industries will now be straightforpermitted new investment totalward, and price of most of their
products will not be sted deer first four years of the current products will not be tied down first four years of the current by price controls, it is claimed.

These latest moves come in the ling \$3.7hm. Despite this, many wake of a belated realisation investors did not take their

end on June 30. The country's central bank, in The moves open new opportuits annual report for 1986-87, nities for foreign private capital urged the government to dereguinvestment. Pakistan's manufacturing industry recorded 7.4 per and liberalise the economy in

The moves follow a belated realisation that most investment targets have not been achieved, as the

conclusion

country's sixth

speedy growth." withdrawn controls on invest- Kuwait,the Netherlands, Switzer-The 12 industries in which start-up by private business will and tractors and motorcycles, as Germany, Qatar and Japan.

five-year plan nears its

government permissions include gram defence-orientated electronics, inc locomotives, fertilisers, cement, and ages and tobacco, hotel and related services, paper and pulp products, metals, and transport

Any factory producing these items and not costing more than \$28m will require no government permission, nor will units financed by non-repatriable for aid a rejument.

Products, included in the five years ended in 1986, the UK topped the list of foreign private investors with input totalling \$62m. Britain was followed by the IIS United Arab financed by non-repatriable for-eign private investment.

defence orientated electronics, Industries which have basic steel, basic metals and attracted domestic and foreign alloys, heavy mechanical and private investment in recent heavy-electrical plants, basic textiles, electrical machinery, chemicals, petro-chemicals, public utilities ships, aircraft, and locometics food, bever-

eign private investment.

The government has already withdrawn controls on invest. Kuwait the Netherlands, Switzer-

Bilateral issues high on Thatcher's Africa agenda

since she attended the Common-wealth conference in Zambia in 1979.

round of engagements in both countries, no news conferences are scheduled, despite the fact that Nigeria in particular pressed

MRS MARGARET Thatcher, the tial embarrassment to President UK Prime Minister, is to leave Ibrahim Babangida, already today for Kenya and Nigeria on under fire in some quarters for what may prove a controversial five-day tour.

It is her first visit to Africa the first place.

There are also officials who about the government of the first place.

There are also officials who about the government of the first place.

There are also officials who argue that, if Mrs Thatcher is to visit Nigeria, she should spend more than 28 hours in Africa's most populous nation, which is easily Britain's largest trading partner on the continent. UK exports last year exceed \$500m.

for one, offering to limit the meeting to a small group of senior journalists.

The decision has antagonised with President Daniel arap Moi senior journalists.

high on the agenda for the talks

The decision has antagonised with President Daniel arap Moi

Nigeria's outspoken and influential press corps, and it is a poten
high on the agenda for the talks

For its part, the Kenyan govticular, they wish her to chalkanon

For its part, the Kenyan govticular, they wish her to chalis to n

there are also sensitive bilateral charges and argues that its Bank's rejection of the validity night.

matters which Mrs Thatcher

In the case of Kenya, the largest recipient of British aid in Africa, there is growing concern about the government's treat-ment of its critics. Last August, Amnesty, the London-based human rights monitoring agency, published a report claiming that more than 75 political opponents had been imprisoned in the past year after funfair tri-als. The report also claimed opponents had been "tortured

into making false confessions."

human rights record is better of claims for more than \$2bn.
than that of most African states, Some Nigerian officials of

than that of most African states, has complained to the Foreign Office about the activities of Kenyan exiles in Britain.

The most demanding leg of Mrs Thatcher's visit will undoubtedly come in Nigeria, where she will arrive on Thursday. Angry British traders, frustrated by Nigeria's lengthy delay in settling disputed trade arrears going back to the early 1980s, and critical of the terms of the promissory notes offered, expect promissory notes offered, expect the prime minister to take up the

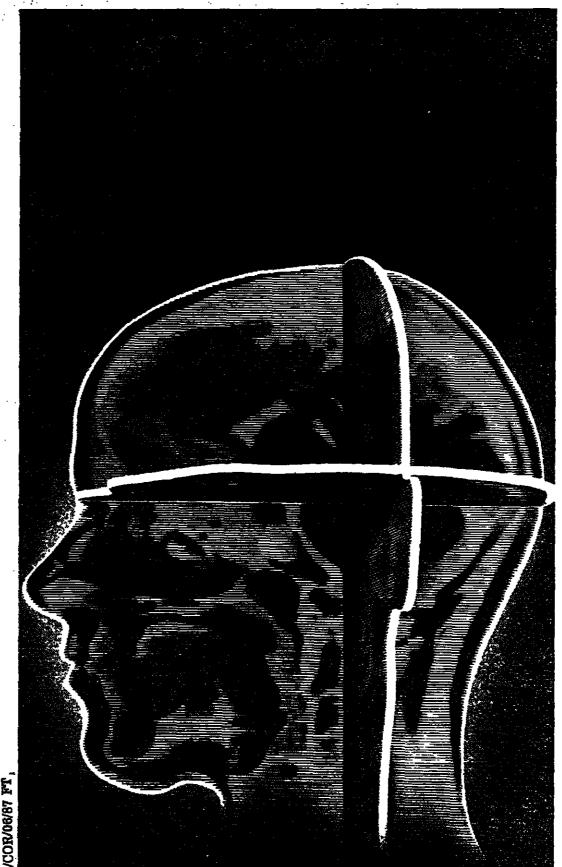
Some Nigerian officials may have complaints of their own,

already disposed to be critical, might not be prepared to con-cede this.

Mrs Thatcher, who will stop in the northern Nigerian city of Kano on the way back to Britain, is to return to London on Friday

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Whitehall sways against electricity break up

THE CENTRAL Electricity Generating Board appears to be winning its battle in Whitehall to resist being broken up when the \$37bn industry is privatised.

Its argument that the Government must preserve most of the

Its argument that the Government must preserve most of the CEGB if it wants a credible nuclear power programme has now gained wide acceptance.

However, the Treasury, which has been sceptical about the economic benefit of a large nuclear programme, is still fighting a rearguard action to have the CEGB split up into smaller companies.

panies.

Mr Cecil Parkinson, Energy
Secretary, has not made up his
mind about the future shape of the industry, but the options to be put to the Cabinet next month or early March are now becoming narrower. He is said to be confident that

he will be able to announce his decision in the early spring. As one official remarked before the Christmas break, however: "We have been very successful in



Cecil Parkinson: options nar-

Party's commitment to nuclear power as equally strong, if not stronger, than the commitment to privatise the electricity indus-

CEGB together after privatisa-tion, but to frame regulations which would encourage new competitors to build many of the 10 to 12 new power stations required by the end of the cen-

The option of splitting off ome of the CEGB's power sta-tions into a "super-Mercury" akin to but bigger than British Tele-com's competitor remains on the table, but ministers will be anxiious to avoid antagonising power workers' unions which oppose

The possibility of creating an alliance between militant miners and power workers would be seen as politically disastrous even if unlikely at present.

even it unlikely at present.

The key to promoting future competition is generally seen to be the opening-up of the national transmission grid.

A strong independent regulator would be needed because any private generator using the grid. private generator using the grid to send power to a particular customer would lower the efficiency of the grid for all other users. The proper allocation of costs will, therefore, be a conten-

identifying the problems: what we need now is solutions."

The most difficult problem is that the Government's commitment to press ahead with the development of civil nuclear power is now seen to be incompatible with the more extreme free-market solutions which would involve breaking up the industry into many smaller parts.

It is now generally accepted that the case for nuclear power has become strategic rather than economic. It is thought unlikely that any private company sector would build a nuclear station unless the return on capital were about twice the 7 per cent the CEGB expects from its latest muclear project at Sizewell, Suffolk, on the east coast of England.

Mr Parkinson has also been confronted with the fact that the fact that its safety inquiry into the Sizewell station said that its safety is the of the CEGB.

The authorities might, therefore, be a contentious and highly technical matters, and that its safety is the fact that its safety is the proper allocation of costs will, therefore, be a contentious and highly technical matters, and that its safety is the fact that its safety is the fac

Shah plans national paper to rival Star

BY RAYMOND SNODDY

MR EDDIE SHAH, founder of Today, Britain's first colour tabloid newspaper nearly two years' ago, plans to return to national newspapers with the launch of a new daily title this year.

The newspaper, possibly called either The Globe or The Post, will be aimed at The Star at the bottom end of the tabloid market and will be edited by former Star editor Mr Lloyd Turner.

The editorial headquarters of the paper will be in Warrington.

contor Mr Loyd Inner.

The editorial headquarters of the paper will be in Warrington, north-west England, where Mr Shah's main business, the Messenger Group of free and paid-for weekly newspapers, is based.

Two dummy issues of the newspaper have already been produced and Mr Shah is said to believe they are already better than the first issue of the ill-fated Today.

Today, launched on March 4 1988, was taken over by the Longho group three months later and was then sold on to Mr Rupert Murdoch, chairman of News International, for £38m last June, The paper, which has a circulation of about 340,000, is still a heavy loss-maker.

The Messenger Group is plantar investigence.

The Messenger Group is plan-ning to invest \$1.5m in the venrhing to invest \$1.5m in the ven-ture and it is believed a prospec-tus is now being finalised in the City of London to raise an addi-tional \$4m. The aim is to try to attract individual, rather than institutional, shareholders.

The business plan envisages a low-cost paper with a heavy emphasis on entertainment and television capable of breaking even on a circulation of 200,000. If the finance is raised the new daily will be launched towards the end of this year. Eighty jour-nalists will be recruited. A total

staff of 200 is planned. Mr Shah, who last year gave up the chairmanship of Today – although he still has a 10 per cent stake in the venture – will try to avoid the mistakes that led

oday into trouble almost from It will be produced on the same desktop publishing system already in use in his Warrington weeklies and the paper will be distributed through existing channels – either wholesalers or by Mr Murdoch's road-based distribution system.

tribution system. The launch of Today was marred by delays caused by inexperience with the new electronic newsroom system.

UK faced with feast of hostile takeover activity

LONDON corporate finance experts return from the Christmas holiday today to some S5bm (\$9.4bn) worth of contested bids within the stores sector - Barker - the greatest amount of hostile takeover activity seen in Britain for many months.

The hids are still in their early stages, but the next formight are still in their early stages. Will see them reach significant milestones.

The largest, and the most politically sensitive, is the offer for static profits in the first half, is cally sensitive, is the offer for Britoil, the biggest UK independent off company, junched by British Petroleum just before Christmas. BP, which has built up a 29.9 per cent stake in its target, is offering 450p a share in cash, valuing Britoil at \$2.270n. It seems likely to issue its formal offer document at the end of this week or next week. However, the Government has stressed that it will use its "golden share" in Britoil to prevent a change in control. Atlantic Richfield, the US oil Also in the oil sector, the \$1250m cash element of the bid is being financed by bank loans, which will then be largely repaid by disposals if the the offer is successful.

Shares in Dee, whose recent interim profits showed a 19 per cent decline, have been trading at around 210p-215p recently, compared with 165p ahead of the bid and the current 222p-a-share on Tricentrol's financial posi-

pany cannot develop its existing assets without a major new loan package which would sharply reduce its asset value far below the 145p offer price.

But Tricentrol has attacked Eif claims as "unsubstantiated" and, with the company's shares its first closing date tomorrow. In its defence document last week, the lawnmowers, boilers and cookers group kept most of with the company's shares its powder dry, concentrating on standing at 158%p, well above the offer, the stock market

for many months.

The hids are still in their early stages, but the next fortnight will see them reach significant.

Sears 5430m cash-only bid for mail order business, Freemans are still in their early stages.

The first closing date for Free-company townerrow.

The battle so far has centred on Tricentrol's financial position. Elf argues that the company cannot develop its existing assets without a major near loss of the bid and the current 222p-a-share value of B&D's bid terms. The \$217m cash offer by Blue Circle Industries, Britain's largests without a major near loss of the bid and the current 222p-a-share value of B&D's bid terms.

Rich-poor gap widens

BY ANDREW TAYLOR THE INCOMES divide separating Britain's richest and poo-rest families with children has grown considerably in the 1980s, according to a report today from the independent Family Policy Studies Centre.

It follows last month's government figures showing that the rich have gained a progres-sively larger share of national income since 1979.

The Family Policy Studies Centre report also indicates that the post-war trend towards greater equality of

incomes between the richest and poorest groups has been reversed in the last few years. It compared the fortunes of families with children in different income groups from 1979, when the Conservatives carre to power to 1925.

ame to power, to 1985. Two-child families in the bottom 20 per cent of income earners saw average real income before tax and social security benefits fall 43 per cent in the period while a similar family in the top 20 per cent saw real incomes rise 11 per cent béfore tax.





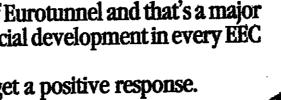




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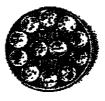
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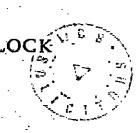
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preposterous suggestion, you may say. Quite Iudicrous. But before you dismiss it as pure fiction, consider the following facts.

The rate of information growth is doubling every five years. Currently, 6000 new scientific articles are published every week.

An explosion of facts and figures shattering the dreams of anyone hoping to become a Jack-of-all-trades. Indeed, being the master of just one is now a race where the finishing line keeps moving.

Skills and knowledge that may have taken years to acquire can be out of date almost overnight.

Think of the ship designers in the north-east who have had to turn their hand to designing oil rigs.

The plant breeders who have had their world turned upside down by the advent of genetic engineering.

The textile designers who have had their crayons replaced by computer keys. Formal qualifications on their C.V.'s, though important, would have given little indication of their capacity to accept and adapt to change.

WILL TODAY'S GRADUATE BE WEARING A DIFFERENT HAT IN THREE YEARS' TIME?

Of course, if we expect people to have a more flexible, adaptable outlook on work, we must also expect the same of their employers.

So companies must be prepared to do more than just give time off for occasional conferences. They must also allow time off to attend business schools and retraining courses. And maybe more.

Some companies do already. But should we follow the example of countries like Sweden where mid-career breaks of several years are not uncommon? In fact, is it time we reappraised our attitude towards career patterns entirely?

Traditionally, the long serving employee has been held up as the shining example. And, of course, many years of experience in a company can be invaluable.

But in today's fast changing world perhaps we should look more favourably on frequent job changes and regard them as the need to face fresh challenges.

That, in itself, is a challenge that business may soon have to face.

Indeed, in our view, training, or lack of it, is very often at the root of many companies' staffing difficulties.

Yet, sadly some firms still see training as a side issue when compared with, say, providing plant and finance.

According to the latest (1985) MSC figures, the average company spends a mere 0.15% of its turnover on training.

As for ourselves, this year training will cost us some 10% of our income. It's a sizeable sum. But it's one we would not spend unless we knew it would repay us fully in the years to come.

Ernst & Whinney Accountants, Advisers, Consultants

Continued from Page 1

Lawson inflation pledge

source of great strength, and I mean to keep it that way.

Q. In September you presented a plan for a more formal system of managed exchange rates. Given the political priorities in the US and West Germany's relucand West Germany's reluc-tance to give up its freedom in monetary policy, do you still think such an advance is possible? Have you modified

your ideas?

A. I will not repeat the very clear exposition I set out in my September speech, although I would urge any of your readers who may be interested in it to read it since most of the newsread it, since most of the newspaper reports at the time got it wrong. I would only add that wrong. I would only add that what I was advocating was some-thing I described as "managed floating": in the real world flexi-bility is essential. Recent events have served

only to reinforce my conviction that this is the way ahead. In the space of less than three years, the dollar has lost more than half its value in terms of the other major currencies. A move-ment of this magnitude over so short a period is not only highly disruptive to trade and industry worldwide, it is also out of all proportion to changes in economic fundamentals over the same period. As for the political obstacles to which you allude, there are always political obstacles in the way of any sensible economic policy. But I believe that in a matter as important as this, it is right to work patiently to overcome them, rather than meekly assuming them to be insuperable. As Paul Volcker put it in a characteristically perceptive speech in Geneva a few weeks ago: The health and vitality of an open international trad-ing order will be importantly dependent over time upon the willingness of governments of large trading countries to reach some realistic collective judgments about the broadly appropriate level of exchange rates. Those judgments will, in turn, need to influence the design and implementation of domestic policies if they are to be meaningful and durable.

Q. You have said that you do not expect to serve another full term as Chancellor. What are your key policy objectives for the remainder of your time in No. 11 and to what extent do they include a further push on tax reform?

A. it would, I think, be without precedent in modern times to serve two full terms in the demanding job of Chancellor. But for the moment there is work to be done, in weathering the current international finantic containing international finance of the current inter tional economic co-operation (which, as the G7 communique just before Christmas showed, is still desired on all sides despite

the differences that presently

exist), and in reinforcing our

you suggest, tax reform.



Nigel Lawson: economy set to grow at a "satisfactory pace"

Q. Unemployment fell sharply last year despite buoyant earnings. Do you still see a strong link between pay and jobs? How soon will you be able to get the underlying inflation rate down from the about 4 per cent seen since

A. Unemployment has come down because of the strong growth in the economy, helped by the Government's employment and training measures. I have no doubt that it would have come down lower and have come down lower and sooner if British employers had awarded pay rises closer to those of their main overseas competi-

but we have never set a precise timetable for achieving our infla-tion objectives and I do not pro-pose to start now. It is, however, worth recalling that inflation has stayed steady since 1983 despite the necessary once-for-all depre-ciption of sterling following the far better performance than we have ever known before, and fully demonstrates the effectiveness of our policy against infla-

Free bottles of spirits.

find quite splendid."

"Free weekends with free breakfasts.

All for staying in hotels I already

Unemployment fell sharply increasing the scope for com-st year despite buoyant petition in newly privatised ernings. Do you still see a industries, particularly with

regard to electricity?

A. The Government has announced an ambitious programme for this parliament. including steel, water and elec-tricity. Steel, of course, is a highly competitive industry, on a world basis. We are currently looking at a number of options for the structure of the electricity industry after privatisation, and are looking specifically at how best to introduce competi-tion where that is possible. Clearly there cannot be competior their main overseas competition in the full sense when it comes to water supply and sewlerage, but this merely means a further gradual reduction in inflation over the medium term, but we have never set a precise that it is essential to put in place a proper regulatory system.

The Institute for Fiscal Q. The institute for Fiscal Studies has highlighted the severe anomalies (marginal tax rates of over 100 per cent for people on low incomes) resulting from the interaction of tax and social security payments. Is this an area where we can expect reform?

A. This has, in effect, already been done. The social security reforms to be implemented this

reforms to be implemented this April, by assessing social security benefits on net rather than gross income, will eliminate altogether the marginal "tax" rates of over exist.), and in reinforcing our success over the whole range of domestic policies including as you suggest, tax reform.

would conduct a review of the 100 per cent which at present decision as "a gift." result from the interaction of tax He said: "I can't absolutely barmy."

Newsnight slot poses difficulties for BBC

THE BBC is facing a series of difficult scheduling decisions in the wake of the row over a fixed starting time for Newsnight, the daily current affairs programme.

Mr Michael Checkland, BBC director general unexpertedly director general, unexpectedly announced last Wednesday that, from September, the programme would have a fixed start at

it would be up to schedule planners to find creative ways of dealing with difficulties caused. There are now at least three outstanding issues to be decided that could cause renewed tensions between the news and current affairs directorate, led by Mr John Birt, and television service executives.

They are:

• Whether the Nine O'Clock
News on BBC1 should be How to schedule three special-

ist current affairs programmes planned for BBC2, covering financial and economic matters, social affairs and politics.

• What input BBC Television Centre management should make to programmes produced by the news and current affairs

Mr Checkland has repeatedly said the schedules of BBC1 and BBC2 are organised by the chan-nel controllers and the managing director of television, except when he personally intervenes.

Meanwhile Mr Checkland has publicly apologised to Mr Bill Cotton, managing director of BBC network television, who

conference to launch See For Yourself, a two-hour behind the scenes" report on the corporation which was broadcast on BBC1

last night.
The decision regarding News-night had been finalised just before the press conference, even though television executives were still working on a report that would have pointed out octential difficulties.

Mr Cotton heard at the same

Mr Cotton heard at the same time as the press that discussions on the issue were over. He left immediately afterwards, without staying for a buffet lunch.

The decision has created a headache for schedule planners. Because of the 9pm watershed dividing programmes suitable for young people from those which might not be, it will be difficult to show serious films on BBC2 on week nights. headache for schedule planners.
Because of the 9pm watershed dividing programmes suitable for young people from those which might not be, it will be difficult to show serious films on BBC2 on week nights.

Short fillers may also have to be introduced, even though these often cause viewers to switch channel.

A commercial television executive yesterday described the BBC decision as a gift.

BY MICHAEL DONNE, AEROSPACE CORRESCIONENT

THE GOVERNMENT should give giving preferential treatment in greater encouragement to airguist proposals to the quieter types of jets, but believes they could go much further. It also believes they older, noisier jets while increasing the number of flights by older, noisier jets while increasing the number of flights by quieter jets.

The puieter types of jet – now there exhaus would be and other organisations.

The quieter types of jet – now classified as Night Noise Group C in the total shart the proposed DoT changes on the versial, is to halve over the next five years the permitted number of flights by older, noisier jets while increasing the number of flights by quieter jets.

The next effect of that would be any quieter jets.

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The ne

Direct payments plea for universities and students

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

the London School of Economics, in a pamphlet published today by the Centre for Policy Studies.

He claims that existing controls have served only to divert universities from their proper purposes — "to educate the young, to preserve and transmit traditions of learning and civility and to promote the increase of knowledge"

the money be directly spent by those on whose behalf it is now expended," Prof Kedourie adds.

knowledge".

Tightening the rein still more would push them farther in the wrong direction.

Prof Kedourie, who is Professor of Politics at LSE, says ministers should instead adopt different ways of financing universities which would in effect free them from state planning and control.

One change would be for the Government to stop funding them largely by payments made expended," Prof Kedourie adds.

The second of his proposed changes is the introduction of student loans, which would have "the great advantage of diversifying the income of universities, and of making them alert and directly responsive to the needs of those whom they educate..."

Another change would be to give parents tax allowances on money spent on the university education of their children.

Although such allowances would not help families with

THE GOVERNMENT should scrap its plans to increase its control over the universities, says Professor Elie Kedourie, of the London School of Economics, in a pamphlet published today by the Centre for Policy Studies.

He claims that existing controls have served only to divert universities from their proper purposes — "to educate the young, to preserve and transmit traditions of learning and civility traditions of learning and civility those on whose behalf it is now the institutions and to hand most of the funds to students.

The students would then proton the hand cases. The professor also says that, in addition to offering full tax relief on private donations to universities, the state should directly provide them with the capital they need to maintain and improve their buildings and facilities.

The Government now spends

facilities.

The Government now spends annually very considerable sums in direct grants to universities.

"How then if a capital sum representing the present discounted value of, say, 10 or 15 years' subventions were to be given to each university which would be told that henceforth, given such a handsome dowry (or better, alimony), it would have to fend for itself?

Diamonds into Glass. Centre for Policy Studies, 8 Wilfred Street, London SWIE 6PL. \$23.90.

Parts of NHS 'may fall apart'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE DANGER exists that some parts of the National Health Service will "simply fall apart during 1988" because of financial difficulties, the Association of Community Health Councils

warns today.

A survey by the association shows many health authorities in England and Wales facing budget deficits in the current financial year. The association says the extra £101m pledged by

*Community health councils are increasingly expressing grave concern and anxiety about the financing of hospital and com-munity health services," says the

report.
The picture for the present year for many health authorities is one of crisis for their budgets and as a result there must be

gloom about the prospect for ser-vices and the maintenance of patient care." that are merely temporarily hid-ing the underlying financial problems." patient care. Community health councils

They have rights of consulta-tion over changes in health provision in their areas.

concerns is that in the recent atmosphere of crisis, that process often falls to be observed, and impact being felt on patient ser health authorities have reduced vices. services without adequate consultation.

The association expresses con are statutory bodies responsible cern at government suggestions for representing patients' interests to health authorities.

cern at government suggestions that health authorities should be able to release around \$150m able to release around \$150m through further cost improvemon over changes in health pro-ision in their areas.

But one of the association's cils now take the view that the scope for further such savings b

By far the most common cause of health authorities' financial "Some of these measures are problems shown in the associa-ostensibly temporary, but with tion's survey is the Govern-the prospect of no real room for ment's failure to meet the full manoeuvre in the coming year, cost of nationally determined many of the closures may de pay awards, leaving health facto be permanent, says the authorities to make up the difference from their own funds.

Moreover, many community
health councils feel that health
authorities are making use of
creative accountancy devices

Moreover, many community
Other frequent problems are
overspending on agency staff
budgets and failure to achieve
efficiency savings.

Cavendish memoirs to be raised in Commons

By Michael Cassell, Political Correspond

THE GOVERNMENT'S latest attempts to prevent former members of the security services from
disclosing information
about their activities are to
be raised in the Commons

be raised in the Commons when the House returns next week.

At the weekend, the High-Court modified a blanket ban imposed last week on The Observer newspaper, preventing it from publishing details from the memoirs of Mr Anthony Cavendish, a former Mi6 officer. The newspaper is now barred only from printing information directly concerning Mr Cavendish's experiences in the security

cerning Mr Cavendish's experiences in the secarity and intelligence services.
On the same day, the High Court extended the injunction to The Sanday Times, although it was given permission to republish any material from the book it had previously printed.
Yesterday, the newspaper

Yesterday, the newspaper repeated some information it had previously published from the Cavendish book, Inside Intelligence. The account includes involvement in espionage activities in the 1950s and MI6 training in claudestine, occasionally illegal, intelligence

work.
Mr Tam Dalyell, Labour MP for Linlithgow, has persistently criticised the Government's handling of the security services. He plans to ask the Prime Minister why she did not refer the Cavendish book to the D-Northe Committee which yets tice Committee, which vers publication of sensitive information, or to Sir Philip Woodfield, newly appointed counsellor to security ser-

vice personnel.

Mr Dalyeli claimed the Government was abusing the injunction system in an

Justinian, Page 8

BAA urges more support for quieter jets

Gatwick airports to become

effective next spring.
The Dot's plans were outlined ecently in two consultation

Responses from airlines and other interested parties submit-ted by the December 23 deadline are being studied and final deci-sions will be announced in February, for implementation from

Broadly, BAA supports the overall government approach of

with the new quotas being fro-zen for five years.

At Gatwick, two plans are sug-gested for discussion. One is to freeze current annual quotas of 4,300 night flights for the sum-mer and 1,950 for the winter, also for five years.

A-320s.

The Dot proposals are for the number of Heathrow summer night jet flights to be cut from 3,650 to 2,750 and the winter quota cut from 3,150 to 3,000, with the new quotas being frozen for five years.

At Gatwick, two plans are suggested for discussion. One is to gested for discussion. One is to freeze current annual quotas of freeze current annual quotas of reducing the proposed quotas for reducing the proposed quotas for develop an overall environ-

At Gatwick, that would mean that it welcomes signs that the reducing the proposed quotas for the noisier aircraft and increasing the quotas for the quieter develop an overall environmental policy."

Timetable for BA-BCal merger expected soon BY OUR AEROSPACE CORRESPONDENT

it will set out precisely how the former second-force airline will be totally integrated into BA, including where the expected 2,000 redundancies resulting from merger will fall.

Most BCal shareholders have accepted BA's \$250m offer. The

tion group set up by BA under Mr Peter Owen, operations direc-tor, comprising 17 top BA executives, meets at Gatwick to decide on a co-ordinated programme of action to weld BCal into BA by April 1, the summer season's start.

likely to be given priority, to remove as much uncertainty as possible. BA has said the 2,000 involved, spread through both airlines, will be treated sympathetically and understandingly, with as much natural wastage and early retirement as possible.

A DETAILED timetable for implementing the merger \$\frac{512.15}{2.15}\$-share cash offer, the between British Airways and British Caledonian Airways is share offer which swaps 115 BA expected to be issued soon, possibly the sweek.

Today the special implementa
Today the special

SPA

Strategic Planning Associates

is pleased to announce

the appointment of

Mr. Angus Walker

who has joined the London Office as Vice President

and Managing Director

Mr. Walker was previously

Director, Corporate Strategy

with British Telecom

ter-growing company with a future of great promise. Our horizons have been greatly extended. The pace of the race is hotting up and we are out there with the leaders.

nuch natural wastage and early ettrement as possible.

Sir Colin Marshall, BA chief ogies if it sounds familiar - You executive, looking even further ain t seen nothing yet."

Wool industry confident on 1987 export levels

BY ALICE RAWSTHORN

THE BRITISH wool textile industry is confident that 1987 will have been one of its best years for exports, in spite of the fall in the dollar and the recent rise in the price of raw wool.

Exports of British wool rose steadily in the first three quarters of the year. But the industry's hopes of achieving record exports were dented in October when overseas sales fell compared with the previous year.

Until that month, exports had

Until that month, exports had increased by about 20 per cent a month. Yet in October the indusmonth. Yet in October the indus-try's difficulties — the price increase for raw materials and the impact of the fall in the dol-iar on the currencies of its low-cost competitors in the Far East — came to a head.

The raw wool sector has borne the brunt of the fall; overseas sales of both cloth and yarn increased in October. Nevertheless, that suggests that the industry may not beat its record year

of 1985 when exports rose to \$607m. In 1986, sales abroad slipped to \$556m.

The wool textile industry has experienced a remarkable recov-ery since the early 1980s when hundreds of mills closed in Yorkhimareds of miles cosed in fork-shire and Scotland. Yet wool tex-tile manufacturers are not yet sufficiently confident to invest in new capacity. Many had hoped that buoyant, exports would encourage investment.

Mr Alistair Henderson, deputy chairman of Patons & Baldwins (part of the Coats Viyella group) and president of the Confederation of British Wool Textiles, said the industry must invest in capacity and machinery in order to remain competitive and to prevent an increase in imports into the domestic market. into the domestic market.

The wool textile industry must plan for the mid-1990s in terms of production and manpower, he said.

Welsh house prices rise

BY ANDREW TAYLOR
HOUSE PRICES in Wales rose by 7.2 per cent last year compared with a 13.2 per cent increase in the UK as a whole, Principality, the largest Welsh building society says.

BY ANDREW TAYLOR

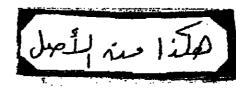
average price of a house in Wales is now \$29,818, for which a typical borrower would require a mortgage of \$22,075.

Mr John Mitchell, the society's chief executive, expects differential.

chief executive expects differen-tials between Wales and the rest

Schlumberger

Schlumberger announced today that it reached a settlement with the U.S. Government concerning whether or not Wireline oilfield operations in the outer continental shelf area during the years 1970 through 1986 were subject to U.S. taxation. Under the settlement, the Company will record an after-tax credit to income of approximately \$222 million (\$.81 per share) in the fourth quarter. After 1986, Schlumberger's income from Wireline oilfield operations in the outer continental shelf area is subject to U.S. tax.



Between December 13th and April 10th guests staying at any Thistle botel on full, corporate or Trumpcard rates can take advantage of an unsur-

passable standard of bospitality. Thistle's Winter Welcome. Stay two consecutive nights or more at the same Thistle botel and pick up a complimentary bottle of whisky or gin, or alternatively, a

£7.50 Thistle voucher. In addition, for every night you reason to spend some time with us.

stay you collect one stamp (two for every Friday, Saturday or Sunday night). Collect 3 stamps and you then

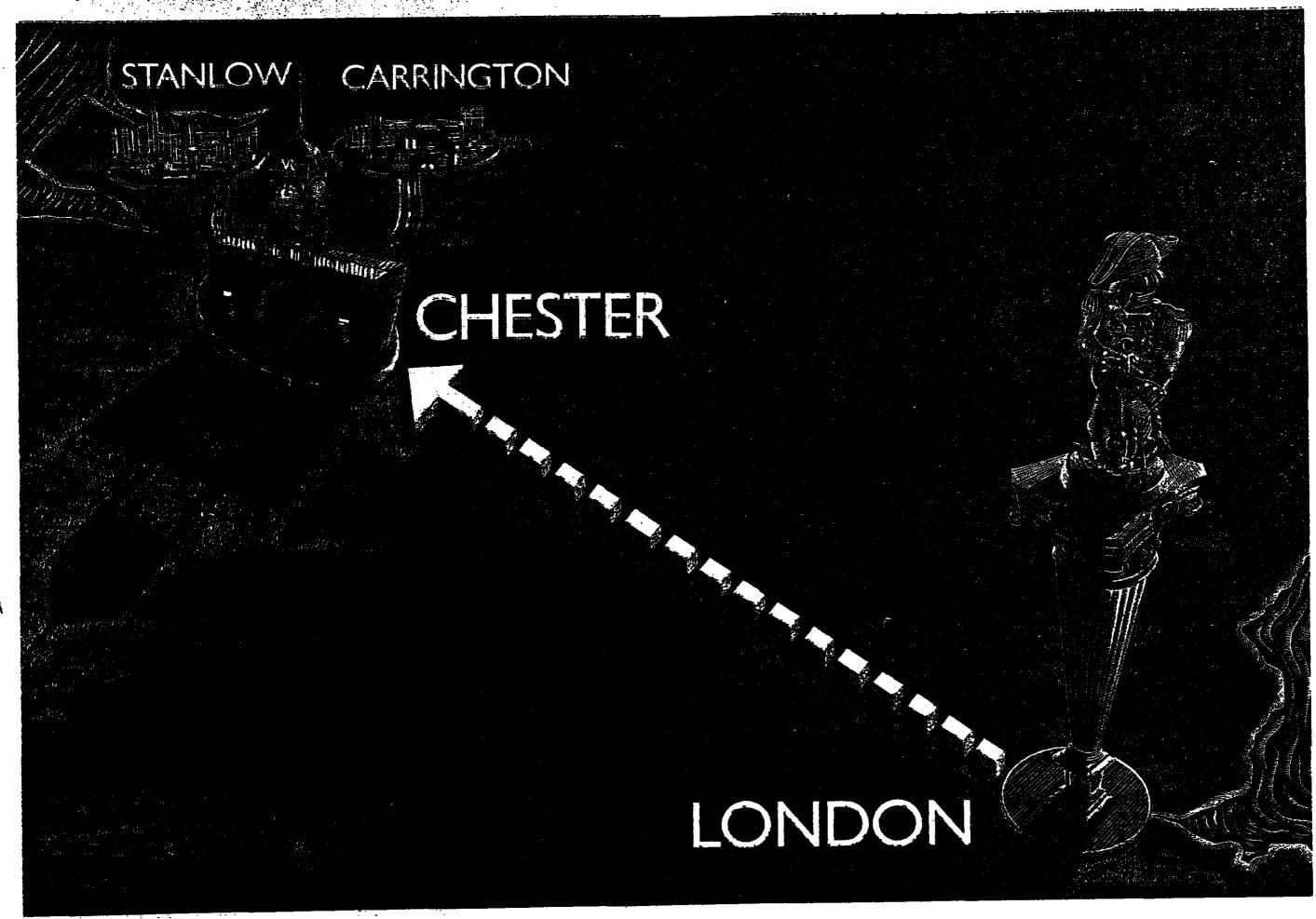
qualify for a free weekend night at a Thistle botel for you and your partner, including full breakfast. Collect 6 stamps and you have

a free 2 night weekend. There are 30 Thistle botels including 9 in London. The Thistle Winter Welcome is a highly individual

Jesails phone 01-937 8033 Pick up a leaflet in any Thistle botel or dip this coupon and send to: Winter Welcome. Thistle Hotels. 5 Victoria Road. Kensington, London

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It brings has brought the company closer to its major manufacturing bases in Stanlow and Carrington in the North West. Sales, marketing, distribution and manufacturing activities can, therefore, be more unified in purpose and responsive to market demands.

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Our guiding principle sums up this relocation initiative. It's called "fitness for purpose". And what it means is that, Shell Chemicals has never been in better shape to service its customers.



Demand curbs urged to avert overheating

soon the slowdown occurs and how painful it is when it hap-pens, Goldman Sachs says.

It warns of false dawns that

might appear early this year.

Retail price inflation will be on a downward trend early in the

rent or more.
The trade outlook will also

appear to improve. Early this

accounts might show signs of improvement.
The current strength of ster-

lagged impact on export volumes will begin to bite in this second

The tendency for import con-

sumption to outpace export sales last year, largely because the UK is growing faster than Western Europe and North America, is

likely to be exacerbated.

Goldman Sachs says the cur-

cent for the non-oil economy

ness machines.
The Trade and Industry

It is believed that inward is at

company considering locations

on earth haven't you

BY SIMON HOLBERTON AND RALPH ATKINS

THE CHANCELLOR might face a difficult policy environment this background the Chancellor will year if he does not move to cut have to tighten monetary policy the rate of expansion in domestic demand, says Goldman Sachs, the US securities house, in a paper published today.

Its review of the economy

The only question is how

coincides with Lloyds Bank Eco-nomic Bulletin. That says the stock market crash in October may boost, not cut, economic

growth.

The bank says falling share prices will have only a small impact on consumption while recent cuts in interest rates will impact on consumption while year, as the effects of mortgage recent cuts in interest rates will stimulate spending and investment. However, it adds that says the underlying trend of growth will still be slower than last year.

Lloyds estimates the direct effect of the stock market fall on appear to improve. Early this consumption may reach a peak year the current and trade early next year, cutting spending by 0.14 per cent compared with

pre-crash projections.

The bank calculates that the ling will affect imports first, leading to lower prices, but its 1½ per cent cut in bank base rates since the crash began might raise consumption by 0.2 per cent and investment by 0.7 per cent.

Goldman Sachs says the strength of the UK economy suggests that overheating might become a big obstacle this year even though such fears were misplaced last year. Overheating may emerge as growth in productivity moderates and industry nudges full capacity.

It says the last half saw the again reach 3.5 per cent to 4 per

economy grow at an annualised lt says growth needs to fall well below 2 per cent by next year if the dangerous balance of payments deterioration is to be halted. rate of between 5 per cent and 7 per cent while monetary policy was eased to cope with the effects of the collapse in share prices on October 19"

BY RAYMOND SNODDY

agreement between the Sanwa Bank of Japan and Inward, the

Japanese agree deal to

build Lancashire plant

AN INFORMATION exchange for photocopiers and other busi-

bury and Hoshiko Sangyo and Nitto Kogyo of Tokyo, plans to create 117 jobs in a purpose-built tions with another Japanese

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story about computers in business

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SOLUTIONS SHO

ETI plans to make components in the north-west.

fails to win back **US** tourists

By Christopher Parkes

London

LONDON FAILED again last year to attract back US tourists who shunned the British capital in 1986 British capital in 1986 because of fears of Libyan terrorists and failout from the Chernobyl nuclear power station explosion.

Officials this time blamed the relative weakness of the dollar.

An infine from the Conti-An infinx from the Conti-nent pushed the total num-ber of visitors up to 8.9m, just short of the 9.1m peak recorded in 1985, but the proportion coming from North America was only 23 per cent, compared with 34 per cent in 1985.

However, according to figres from the London Tourist Board, tourist spending in London reached a record \$3.55bn, compared a previ-ous record of \$8.28bn.

Western Europeans repre sented 52 per cent of all

They tended to be younger than long-haul travel-lers, and estimates just pub-lished show that the proportion of tourists stay-ing in licensed hotels fell to 33 per cent last year, compared with 40 per cent in 1985.

An increase in numbers staying with friends and staying with irriends and relatives reflected the nationality and age breakdown of last year's holiday-makers, the board said.

The fall in US visitors also registered in the board's annual poll of the most popular evening activities

The proportion of tourists favouring the theatre fell to 49 per cent compared with

57 per cent in 1985. "Just walking around"

was the most popular even-ing pastime with 84 per cent, while 60 per cent headed for the pub.

Hotels were considered expensive by 42 per cent of the visitors questioned, and 56 per cent considered the-cost of eating out either chean or moderate. Bank of Japan and inward, the north-west England promotion agency, has had its first success.

A deal has been reached to build what is believed to be the first Japanese manufacturing plant in Lancashire.

Euro Technology Industries, a joint venture between three companies, Edward W. Andrew of Burv and Hoshiko Sangvo and Industry Trade and Industry Department has given grants of \$400,000 to the project, which will be based at Clayton-le-director of Inward, said he hoped the joint venture would be the first of many arising from the lationship with Sanwa Bank. It is believed that Inward is at cheap or moderate. · Health-conscious British

hoteliers have been rewarded for their enterprise with a new heart symbol alongside their listings in the 1988 edition of Ashley in the 1988 edition of Ashley Courtney's Let's Halt-Awhile hotel guide. The symbol appears on 128 entries describing hotels which offer low-fat, low-cholesterol and low-cal-

orie meals on their menus. Among the hotels offering healthy meals, 74 per cent banned smoking in the din-ing room or confined smok-

ers to special areas. More than a third con trolled smoking in the bar, and almost two thirds offered keep-fit facilities.

Change of name for W. H. Smith Financial Times Reporter

W. H. SMITH & Son (Holdings), parent of the diversified retailing and distribution business, has changed its name to W. H. Smith

Group from January 1.

Its high street newsagents and variety store chain, W.
H. Smith & Son, will in future be known as W. H.

Smith.

The company said it had introduced the new holding company name, together with a new group logo, to help to distinguish the parent from the high street

Its other UK interests include Do It All in doit-yourself retailing, Our Price in music, Paperchase, W. H. Smith Travel, and bookseller Sherratt &

The group is also heavily involved in the distribution of printed matter through its wholesaling businesses, and in television services.

Aberdeen seeks its prosperity abroad

After the collapse of the oil price, offshore

support industries had to diversify to survive. James **Buxton** reports

MR JIMMY MILNE recalls bit-terly the period more than a year ago when Aberdeen's 15 years of expansion were brought to an end in a matter of months by the oil price collapse.

Now, however, the 46-year-old

Now, however, the 46-year-old Mr Milne, who runs the Balmoral Group, a private company specialising in polymer buoyancy products, enthuses about export contracts as he dashes up the ladder to the Portakabin where he has his office. "We're selling analysis of the product because the selling analysis of the selling the product because the selling analysis." anchor pennant buoys to South Korea, subsurface buoys for the Guif of Mexico – great brutes, we put them on a 747 – and buoys for a pipeline in Turkey. We've got an order from the Falklands

Exports will make up half our turnover of 55m or 56m this year, against 10 per cent three years ago. No ifs and buts about it - the North Sea downturn has driven us to expand our

Aberdeen's offshore industry is showing a fresh attention to exports - long overdue, some

panies took advantage of the reckoned to have cut of related very low going rates to resume employment in Grampian Region drilling. Whereas early last year — of which Aberdeen is the capithere were nearly a dozen dril-tal — by about 11,000, from ling rigs lying idle off Aberdeen, 52,000 to 41,000. The job losses a few days ago there was only temporarily pushed Aberdeen's one.

including a \$25n programme by BP to develop the Miller and Bruce fields. But those projects will take several years to pro-

Mr Charles Wood, who follows

the offshore industry for the Scottish Development Agency in Aberdeen, said: "The volume of scrivity has gone up in the pest six months. But not surprisingly, the prices paid for services have not picked up as smartly. There's no suggestion that boom times are here again. The situation for companies in the offshore indus-try is still fluid - it's still evolv-ing."



The Aberdeen support fleet in better days, Recovery has not meant return to pre-collapse activity levels.

Since he spoke, the sharp drop in the oil price on the spot mar-ket has reminded Aberdeen how volatile oil prices still are.

exports - long overdue, some critics say - as it begins to managing director of the John recover from the shock it suffered when, early in 1986, the oil lyowned offshore services conprice collapsed and oil companies drastically cut their spenders in Aberdeen, says: "Recovery means a recovery of confidence. It does not mean a support oil price stabilised at about \$18 a barrel, and oil companies took advantage of the reckned to have get oil related

aged by a number of discoveries now back about 7 per cent and and by some recent oil company the city still has greater prosperdecisions to develop new fields—ity than any other in Caroland including a \$2bn programme between the city still has greater prosperdictions to develop new fields—ity than any other in Caroland including a \$2bn programme between the city still has greater prosperdictions.

The shake-out affected compa The single-out affected compa-nies across the board – from the supply boats to the companies providing divers and underwater services. Businessmen in Aber-deen say it purged away the overcapacity built up in the years of plenty.

The John Wood Group saw its sales drop from \$90m in 1985 to about \$70m in 1986, and it had to reduce its staff from 2,400 to 2,000,and its 25 operating companion of the same staff from 2,400 to 2,000,and its 25 operating companion of the same staff from 2,400 to 2,000,and its 25 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and its 250 operating companion of the same staff from 2,400 to 2,000 and 2,000 and 2,000 and 2,00 very few companies failed completely. One recent example is Webco, a family-owned com-

Observers beleive, however, Agency is trying to help Scottish that there are still too many companies to develop overseas companies in the troubled under markets: it helped the Balmoral

might be hard for some compa-

"What's been left from the fall-ures has been picked up by oth-ers," says Mr Harry Tocher, an assistant general manager with the Bank of Scotland in Aber-dens Several other communic deen. Several other companies

Some leading Aberdonians believe the rationalisation has not gone far enough. Mr Keith Mair, the local director of Investors in Industry (31), says: "I've told my customers to think of

pany making anti-corresion cost-ings, which recently went into

receivership, partly as a result of an acquisition outside the oil

One of the weaknesses of the UK services industry, he says, 'is that it hasn't merged and concentrated as much as it should." centrated as much as it should.
The US oil services industry has seen some very big mergers in the past two years but in Scotland the predominantly family-ownership structure has kept companies independent. Mr. Tocher believes this winter right he hard for some companies.

Helicopter operating compa-nies have recently rationalised through the takeover of British Caledonian Helicopters by Bris-

water engineering sector, where a rescue presided over by Sir lan MacGregor, the former National Coal Board chairman, was recently launched for British Underwater Engineering. The supply-boat industry still has serious overcapacity. ton to tap the US market, it is promoting Scottish-based offpromoting Scottisti-based off-shore companies in Latin Amer-ica (particularly Brazil) and the Soviet Union, where last May it held a conference and exhibition on Scottish gas technology.
One Aberdeen company that
has recently won Soviet orders is

Mr Wood sees the downturn in the North Sea, combined with what he calls the "utter disarray" of companies in the US olifield

of companies in the US cilfield services industry, as a chance for Britain, and in particular Scotland, to lay claim to part of the world offshore supply market.

That, he says, could be worth £75bn a year by the mid-1990s of which a third could be open to companies from outside countries. Britain ought to be able to get 10 per cent of that one third—ie £25bn worth—not just in - i.e. \$2.5bn worth - not just in hardware but in sub-sea knowhow and down-hole technol-

ogy," he says:
Over the past two years the
Wood Group has acquired in the
US all three of the world's independent manufacturers and operators of wireline equipment - electronic devices for monitoring or logging oil and gas wells. The sector is dominated by big companies such as the US-French group Schlumberger, but the independents enjoy market opportunities in countries such as India and the Soviet Union.

Virtually all Pressure Products' turnover in 1987, which amounts to about \$2.5m, came from overseas markets. In 1988 it expects a big jump in turnover as its new subsidiaries step up sales. It is

Gas Services, seiling equipment for recycling the costly helium gas breathed by divers.

gas preatned by divers.
Gas Services is part of Pressure
Products, a British company
founded by Mr Don Rodocker, an
American. The 1986 recession

found the company cash-rich and its financial resources were further boosted by the sale of

half of a 50 per cent interest to the US group Air Products. All that money is being invested in diversification.

Mr Martin Briant-Evans, an

executive with the company

says: "Companies in north-east

Scotland including US-owned ones are far superior to con-

cerns in the US in many areas of offshore technology. I believe we should create an infrastructure here in north-east Scotland that

can be exported all over the

world."

"the kind of company that gives you hope," says Mr Mair of 3i.

Legal Notices

NOTICE IS NEFERRY GIVEN, pursuant to Section 98 of the Insolvency Act 1985, that a Meeting of the Creditors of the above-named Company will be held at 1 Viendrobe Place, Carles Lone, London ECRV 6AJ on the 18th day of January 1988, at 12 noon for the purpose mentioned in Sections 100 and 101 of the seld Act, that is,

1. The nomination of a Liquideter

2. The appointment of a Liquideter

Committee

Prixty forms to be used for the purposes of the above Meeting must be lodged, accorporated by statements of claim, at the Registered Office of the Company, situated at Booth, White & Co., 1 Westprobe Piece. Carter Line, St. Pauls, London, ECAV SAI not later than 4 p.m. on the 18th day of January 1986.

Notice is also hereby given, parallars to Section 98(2)(a) insolvency Act 1986, that P.W.J. HARTINGAN of Booth, White & Co., 1 Ward-robe Pisce, Carter Larse, St. Paule, London, ECAY S.A.) is qualified to act as an insolvency practitioner in reliation to the above Company and will furnish Creditors true of charge with such information concerning the above Community the above Com-

METOLVENCY ACT 1986

CREATIVE HOLDINGS LINETED

WOTICE IS HERREY GIVEN, pursuant to Section 98 of the Intoleuroy Act 1986; that a Meeting of the Intoleuroy Act 1986; that a Meeting of the Intoleuron of the above-samed Company will be haid at 1 Wardrobe Place. Carier Lase, London: ECAV SAJ on the 19th day of Jenuary 1988, at 10.85 a.m. for the purpose mentioned in Sections 100 and 101 of the said Act, that is.

1. The nomination of a Liquidation Committee

Printy forms to be used for the purposes of the above Meeting stuff be lodged, accompanied by statements of claim, at the Registered Office of the Company, situated at Booth, White & Co., 1 Wardrobe Piace, Carbe Lane, S.C. Pauls, London, ECAV SAI not side that 4 p.m. on the 18th day of January 1985.

Notice is also hereby given, pursuant to Section 98(2)(a) irachency Act 1986, that P.W.I. HARTENGAN of Booth, White & Co., 1 Wardenber Piece, Carter Lane, 8. Pauls, London, ECN SAJ is qualitad to act as an irachency practitioner in relation to the above Company and wit surface recotors live of charge with such information concerning the above Company's affairs as they may resconsoly require. Dated this 21st day of December 1987

By order of the Board

such information concerning the at pany's affairs as they may respond to Detect this 21st day of December 198

He in

25 may 2

Scientific R&D 'cuts concealed

MR GORDON BROWN, Labour frontbench Treasury spoke is demanding a government explanation for what he says is a deliberate cover—up of new spending cuts in scientific research and development pro-

His accusations follow the aronymous posting to him of a classified government document which, he says, orders the cov-

er-up.
The document, a memorandum, is based on a ministerial decision recently sent to civil

He says it tells officials not to encourage companies to seek state aid and orders them to be more critical of applications

already received.

Further, it says any application involving more than \$50,000 Gordon Brown: paper from anonymous source. will have to go to Mr Kenneth Clarke, Chancellor of the Duchy

of Lancaster, for approval. It says: "Ministers have decided



ss on high-technology research and development than in 1979.

It says: "Ministers have decided that, as part of their continuing review of Department of Trade and Industry support, they want a more critical view to be taken by officials of any possible support for single-company research and development."

It emphasises that ministers do not see the requirements as marking any change in policy and that departmental officials must not suggest otherwise.

Mr Nigel Lawson, Chancellor, and Lord Young, Trade and Industry Secretary, said the Government was already spending band development than in 1979.

He said ministers were seeking further cuts in the £80m-a-year allocation without informing Parliament and without telling financial aid were being financial aid were being financial aid were being changed.

He said ministers were seeking further cuts in the £80m-a-year allocation without informing Parliament and without telling financial aid were being financial aid were being financial aid were being changed.

He said "It appears there are now two kinds of government cuts, those publicly announced and those deliberately concealed.

I fear that in other areas of economic and industrial policy, including support for the imposed without the full truth being told to the public."

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Kleinwort Benson Limited announces that with effect from 1st January 1988, the mortgage base rate will be 10.15% per annum and the personal loan base rate will be 9.15% per annum.

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Notice is Hereby Given that for the Interna-ceriod from 31 Dec. 1997 to 26 Jan. 1998 th Notes carry an interest rate of 6/16 per our per annum.

INTERNATIONAL B.V.

FLOATING RATE NOTE ISSUE OF USD 25 MILLION 1981/1989 THE RATE OF INTEREST APPLI-CABLE FOR THE SIX MONTHS

BASEBOARD LIMITED

MOTICE IS HEPEBY GIVEN, pursuant to Socian 98 -of the insolvency Act 1988, that a Meating of the Creditors of the above-resment Company will be held at 1 Wardrobe Placa, Castir Lans, London ECeV SAJ on the 19th day of Japuny 1988, at 11 am, for the purpose represented to Sections 100 and 161 of the half Act, that is,

1. The romination of a Liquidator

2. The appointment of a Liquidator

Proxy forms to be used for the purposes of the above Meeting must be lodged, accompanied by steamersts of claim, at the Registered Cilics of the Company, shushed at Booth, White & Co., 1 Windroop Place, Center Lane, St. Smile, London, ECAV SAJ not later time & p.m. on the 18th day of January 1988.

Notice is also havely given, pursuent to Section 98(2)(a) trachisms Act 1896, that P.W.J. HARTINGAN of Booth, White & Co., 1 Ward-robe Pace, Carter Lane, St. Pauls, London, ECAV SAJ is qualified to not as an insolvency practitioner in rainflow to the above Company and will formed Creditors fee of charge with such information concerning the above Company's affairs as they may reasonably registra. Desired it is 21st day of December 1987.

National Home Loans Blue Chip Interest Rate

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The National Home Loans Corporation plc St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

Perth offices win Riba award

THE WORLD headquarters of General Accident Fire and Life Assurance at Pitheavis, Perth, a new main entrance for Belfast's Zoological Gardens and a sheltered housing project in Birmingham are among nine devel-opments that have received 1987 architectural awards for merit from the Royal Institute of Brit-

ish Architects.
The institute said the General The institute said the General Accident building, designed by James Parr and Partners and built by Sir Robert McAlpine, Babergh District Council, Ipswas sympathetic to its country location. It had the appearance of series of hanging gardens, providing 25,000 sq metres of offices set into a hillside overlooking Perth.

The main entrance of the Beltisle, designed by Building

The main entrance of the Bel-fast Zoological Gardens, designed by McAdam Design and built by Mivan Construction for Belfast only council, had eleverly introduced the new elements of the zoo offices, pay boxes and shops to provide a protected intimate space, rich in incident and changes of level.

Maidstone District General the Institute's president, said the purpose was "to give recognition to outstanding examples of current architecture" thereby changes of level.

receive institute awards were:

The redevelopment of the
Corn Market and Market Cross at Penrith by Lowther Construction for Eden Distict Council.

lisie, designed by Building Design Partnership and built by John Leing.

A two-storey sheltered housing scheme for the city of Birmingham, designed by W.G. Reed and built by George Stubbings was "a model of skilful design for elderly."

The six other schemes to were H.J. & A. Wright. magnetic control equipment.
Aldington Craig & Collings were
the designers and the contractors
were H.J. & A. Wright.

• A high-tech speculative office development at 1 Finsbury Avenue in the City. The building, for Rosehaugh Greycoat Estates, was designed by Arup Associates and built by Laing (Management). Contracting. The institute said it was impressed by the sheer professionalism displayed in the design of the building.

In addition to the nine awards the institute also commended 18 other schemes. The awards were for buildings completed between 1980 and 1984. Mr Rod Hackney.

Company Notices

The interest payable on the relevant payment date. 25 Jan 1966 against doug will be US\$54.95 per US\$ 10,000 Note.

EULA

PERIOD. BEGINNING 31st DECEMBER 1987 AND SET BY THE REFER-ENCE AGENT IS 83% % ANNUALLY.

SOME TIME over the next six months the Yemen Garment Factory in Sana's, North Yemen, will start producing Lee Cooper jeans.

its output will not be large -200,000 units a year at most - but it will be the only jeans producer in this remote and backward country. For Michael-Cooper, managing director of Licensing Services Interna-tional (LSI), which negotiated the production licence, the

Licensing

An entree to difficult markets

Peter Montagnon on the Lee Cooper jeans group's use of this method of exporting

wear, and Pulla, which mannstart-up will provide vindice
ton of a long-held belief that
licensing offers exporters a
practical way of spreading
their business into otherwisedifficult markets.

Licensing is a fastiral choice
for a clothing, sammacurer
teleging in more profitable, but
licensing is not nearly as
popular with Britian companies
as it is with their counterparts
in the US. Juliag the experience of his own company, Cooper argues that many overlook
its business potential, both in
state-run Communitat countries;
and In the debt-ridden developand In the debt-ridden developand In the debt-ridden developand under the continuer, and
tool for wither consistency, and
solid business potential, both in
state-run Communitat countries,
and Pulla, which mannlicensing is of satural choice
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would have to say that tinet
about of recinction for a clothing ammantal and the control in the control in the control in the control in the foreign
that the tine process of licensing
is a relatively low, at least
the licensing word of the said and that the licenses respects
would the with their control in the c

Aston Martin, Lonsdale sports stances, says Michael Hughes, monly they also may face diffiwear, and Pulla, which manuLSI finance director, "one culties with the repatriation of licensees which have to meet factures upmarket thermally would have to say that direct short of foreign application."

This manuShort of foreign application.

ance market.

General Agreement on Tariffs ment of laws on intellectual UK exporters regard as particularly LSI has a distinctly hands-on and Trade (Gatt) will do much property rights is particularly larly difficult, and one they



Lee Cooper licensing extends from leans to Aston Martin watches

because there is still too little political will for international cooperation. In Far Eastern its licensing crusade into Latin countries where state enforcement of laws on intellectual UK exporters regard as particu-

to improve the situation weak LSI employs special LSI is now about to spread its licensing crusade into Latin America, a market that most

have tended to shun since the onset of the debt crisis in 1982 It expects shortly to sign a Lee Cooper licensing arrangement with a Venezuelan company which will start production at 100,000 garments, rising to 5m annually within the next five

Not only will the Lee Cooper name be competing with well-established local and US jeans producers in Latin America, it is also entering a part of the world where host governments are often particularly suspi-cious of licensing arrange-

As in many other developing countries Latin American governments tend to encourage direct foreign investment rather than licensing because investment brings in an inflow of badly-needed foreign exchange. Cooper argues that a licensing arrangement can, however, help the host country achieve a high degree of import substitution. This was an argument that swayed the North Yemeni government For a relatively small outlay

in royalty fees, the host gov-ernment is acquiring technol-ogy and know-how "that will reside in their country for good. That is in essence LSI's main selling pooint. As Cooper puts it: "We are able to provide a proper consultancy service to the business. The licencee's business is our business.

WHEN Heinz Duerr became the ninth post-war chairman of AEG, the West German electrical and electronics company, one of the first things he did was to change the shape of the boardroom table.

it used to be U-shaped, but that did not suit the plain-talking Duerr, a strong believer in management through communication. He says he disliked the way directors talked at each other across an

"Now," says 54-year old Duerr, "any problems remain on the table and don't just fall through into the gap. They stay there and fester until they are dealt with. In a group with such a wide range of products as AEG - from industrial electronics, software and cables to washing machines, cookers and hair dryers - openness between the divisions is vital, he feels.

With some 50 sites in Germany, Frankfurt-based AEG is a highly complex research and manufacturing group and the job of co-ordination is a tough one. You can try to do it by laying down guidelines," he adds. "But I think it can only be done properly through the per-

Duerr, tall, friendly and forceful, with a predilection for tab-collared

Widening the long-term perspectives

Heinz Duerr explains to Andrew Fisher the West German group's post-recovery strategy

empty space, tending to defend shirts and striking ties, has had their own areas of activity rather eight tough years at the top of than consider the needs of the AEG. Five years ago the company group as a whole.

"Now," says 54-year old Duert, "any problems remain on the table and don't just fall through into the and don't just fall through into the company under the wing of Daimler Loss There exists the areas and a half years. Duert has managed to emerge smiling and with his reputation intact.

tation intect.

This is in strong contrast to his predecessor, Walter Cipa, whose harsh, confrontational style alienated many in and outside the company. Cipa, said to be less ruthless behind the scenes than his tough image suggested, began the restructuring and capacity-cutting policies needed to trim the unwickly AEG, But he did little to lift battered morals. The more public-relations minded Duerr initially tended to go too far the other way, tended to go too far the other way, talking about progress when AEG

Today, AEG is on the move again. But the memories of five years ago, when operating losses totalled DM932m(£314m) and the shares sunk to DM23 in August 1982, remain. AEG, which had expanded too fast and carelessly, almost trying to become a second Siemens, had to seek protection from its creditors. They wrote off DM6bn of its debts, leaving the company to pay the rest.

banks to head the stricken AEG, which had foundered through losses on nuclear power and stagnation in other sectors. The son of an industrialist in the state of Baden-Wuerrtemberg - home to Ger-man household names like Daimler, Porsche, and Bosch – he still owns the Duerr engineering con-cern, which builds paint shops for the motor industry. He had made a name as head of the regional

employers' wage negotiating team. On the other side of the table was the formidable Franz Steinkuehler now president of the IG Metall trade union.

These days, Duerr prefers to talk about the future rather than the past. AEG is investing heavily in its main activities, with an eye to the long term rather than quick returns. In the next five years, it intends to spend some DM3.5bn. We have moved to a rebuilding from a consolidation phase. But not too fast. When a car accelerates too rapidly, it wears out the tyres. That wastes rubber."

Duerr emphasises that AEG is not just moving in its chosen direc-tion because Daimler now owns 56 per cent. It would anyhow have striven to become more international and technologically advanced. But Daimler has strengthened both AEG's finances

and its image. "The perspectives with Daimler are wider. Just what are these perspectives? Duerr, also on the Daimler board, emphasises that they are very long term. Ever since Daimler paid DM1.8bn for its stake just over two

years ago, outsiders have won-dered what both sides had in mind. In contrast to the striving for quick returns common in the US, Daimler and AEG are prepared to be patient. "We are in a highly industrialised society which is now

While the result of the link between Daimler and AEG will take time to show through, one concrete example is emerging. This is an ambitious joint research centre being built at Ulm, south of Daimler's headquarters in Stuttgart. AEG, which last year spent



DM900m (8 per cent of turnover) on research, planned the Ulm site before Daimler came along. The DM500m centre will combine the resources of Daimler and AEG with those of the local university

and technical high school.

It is developments like these of which Duerr says: "Our children ket-driven, not just and grandchildren will see the fruits of what we are doing now."

But AEG has plenty on its plate at you can do nothing."

present, and not just on the currency front. Olympia, its office equipment unit, still loses money in a highly competitive and fast-moving sector. AEG, which is working on video telephones and has developed text recognition systems, is combining all its office activities into one new division based on Olympia and aimed at the high-tech office of the 1990s.

Olympia is a valuable brand name, Duerr says. The AEG ini-tials, now in bright red, are also familiar, especially in the household goods sector, which makes modest profits and keeps the com-pany's name in the public eye. Duerr once toyed with the idea of selling this operation to raise much-needed funds. Then, he con-cedes, "I was more driven than

high frequency communications, airport control equipment, and let-ter-sorting machines, white goods like dishwashers and cookers do not promise likely mutual benefits with Daimler. But apart from profits, the division is important for AEG's image.

ket-driven, not just technology-driven, says Duerr. White goods help. Without market thinking,

CHARLES TO SERVE PENNAN LKERPUR Hi-Spec Structures for HI-Tach industries CRENDON STRUCTURES LIMITED Long Creation, Aylesbary, Busin. HP18 358 Tet Long Creation (0644) 200481 Telluc 83249

Nuttall busy in London

During the last few weeks before Christmas, NUTTALL has been awarded over S8m of work in the London area.

In Docklands, work has started on the East India Dock reclama-tion works where 140,000 cubic metres of contaminated silt are being removed from the bottom of the dock which is to be filled with 230,000 cubic metres of sea dredged materials under a \$4.3m contract for London Docklands Development Corporation.

At Blackwall Yard, Nuttail Ground Techniques is constructing 85 40-metre long, L5 metre diameter bottom-grouted bored piles for the foundations of the new Reuter's Building. A suc-cessful 2500 tonne pile test has been carried out on this \$1.1m contract for Music Lahe, a subsidiary of Rosehaugh Stanhope Development (Holdings), Bovis Construction is the management

Nearer the centre of London, Nuttall has been awarded a \$1.7m contract for the construc-tion of a new cab route structure at Charing Cross station. The old brick arch hansom cab route into the station is to be replaced with reinforced concrete retaining walls, and a reinforced concrete core is to be provided for the new 325,000 square feet office

Greycoat Embankment Place is the client, and Laing Manage-ment Contracting is the manage-

At Liverpool Street Under-At Liverpool Street Under-ground station the company iswaterproofing a sub-station for, London Underground, acontract which requires excavation of a road and laying a waterproof membrane on the structure before backfilling and making good. The contract is valued at \$114,000 and Bovis Construction is the management contractor.

is the management contractor. To the west, two contractors.

To the west, two contractors, have been awarded at Stockley Park by Trust Seculities Holdings. The first is valued at \$492,000 and is for a block paving car park, and for drainage and hard landscaping, and the second valued at \$499,000 is for a large valued at \$499,000 is for a large reinforced carth retaining wall, block paving and car parks and promontories into the lake. Schal International is construction manager on both these proj-

improvements at **Butlins** camps

The largest project, worth \$10m, is at WonderwestWorld, Ayr, where features will include

Ay, where teames wit includ-a water-world complex includ-ing leisure pools, slides, rapids and waterfalls.

Other work includes building a

The company has already

Building workers are spending World, Skegness, and Somerwest the winter at the seatche to World, Minehead.

It is working at all three again thousands of lamilies next sum this winter to carryout further. this winter to carryout further improvements valued at \$20m.

At Bognor Regis it is refurbish-ing kitchens and diningrooms, building two fast-food restaurants and staff accommodation, and modernising another 400

afest-Iood court, and modernis-ing another 150 chalets, while a pub and supermarket are the lat-est additions at Minehead.

for completion in time fornext summer - bring the total value of contracts awarded to Tarmac Construction at all four sites undertaken sinilar projects foup-grade facilities at Southcoast World, Bognor Regis, Funcoast world, Bognor Regis, Funcoast

Fairclough builds offices

PARCLOUGH BUILDING's southern division has started work on two office construction contracts totalling \$7.6m. The larger, at \$6.6m, is for a five-storey development at 110-118 Middlesex Street, London El - close struct a detached two-storey to Broadgate. The 70-week problem, providing providing 1300 sq metres of office accommodation. The steel-trained, brick-clad offering a combined 6141 sq development will feature metres of office accommodation. The steel-trained, brick-clad offering metres of office accommodation. The steel-trained, brick-clad development will feature suspended ceilings and raised floors, together with a feature stained concrete framework with brick and sandstone claded which is part of the AMEC ding intertal features include air-conditioning, raised access

Resurfacing Gatwick runway

The renway at London's face, the treating of joints and Gatwick Airport is to be resurfaced during 1988. Gatwick Airport has awarded a Sh.8m contract to APC CONSTRUCTION.

and 0555 hours most nights During the absence the americance. The work, which will be carried ing the closure the emergency out at night, includes the runway will be brought into use removal of the runway's top sur- keeping the sirport operational.

shading in Europe with some white fabric, up to 12.6 metres white fabric, up to 12.6 metres white fabric, up to 12.6 metres had been by 1.6 metres wide, will be planning. St Enoch Centre in kept under tension to limit sag, irrespective of temperature changes. Church Commissioners for changes. Operated by an automated management control system, triggered by thermostats and photocells, the motorised blinds the effects of direct sunlight yet secure the desired level of lighting, 8,000 eq metres of fixed and motorised Colt Helioscreen solar frost proof and colour fast.

FINANCIAL DIARY

BOARD MEETINGS-Finale; First National Finance Corp. Interiors; Interims; Klainwort Banson Gilt Fund. DIVIDEND & INTEREST PAYMENTS. DIVIDEND & INTEREST PATRICE BRCC 49 Do. 5% 1st, Cure. prf. 2.1p Do. 56% 2nd. Cure. Prf. 1.925p B.S.S.; kit 0.8p Barcleys Bank Und. Pkg. Rate Ms. 6390.73 Resport (T.M.) 3.62n Bezzer (C.H.) 3.62p Beckman (A.) 3.78p Black Arrow Group 0.75p

Beck Arrow Group 0.75p
Booker 5.4p
Booker 5.4p
Brake Brothers 0.5p
Brake Brothers 0.5p
Brake Stothers 0.5p
Do. 2,8% Perp. Prf. 1.4p
Do. 3.5% Cons. Deb. 17rd. 2pc
Do. 9.8% Red. Deb. 1986 4.5pc
Brown Bovert Kerst 1.5p
Chembertain Phops 1.4p
Country, Pops 6% Cuss. Prf. 1.05p
Credit for Exports Un. Pfg. Ress Nes. 1985/
92 S396.08
DANS Simpson 6.35p
Do. A. (8/4rn) 6.55p

52 3380.05 DAKS Simpson 6.35p Do. A (N/Vig.) 6.35p Do. A (1/470g), 0.359
Dailysiy 8p
Dailysiy 8p
Dailysiy 100 12p
Dinisis Heel 0.2p
Durisil Histgs, 0.9p
East Anglian Water 7% Red. Pri., 1996/58
4.191p
Equity Consort Inv. Tst. 4.38p
Fill Group 59
Finlen Group 2-20

Plantaron Oz 2503.
Do. A Pri. 4874pc.
Harrisona Malaysian Plants Seen.
Hawtin 4.55% Cum. Pri. 2.275p
Hostoir 20 Histor 2p High-Point Services 2.75p Inchappe 8.5p Ingall Inde, 6% Un. Ln. 1986/91 4pc. Kennetly Brookss 0.975p

Conventiones 1.5p Shotchiey fo Shingeby (H.C.) 1.2p Shingleby (H.)(Mailwear) 0.75p TR Technology Inv. Tst. 0.3p Temple She filv. Tst. 4.2% Cum. Prl. 2.1p Tottenhem Hotsour 4a Turnif Corp. 3.3p Utster Television

\$580,78
Western Motor Hidgs. 59% Cum. Prf.
1,925p
Wracham & East Derb. Weier 7%% Rid.
Prf. 1896/98 2,535p
TOMORROW
COMPANY MEETINGSTREASURE Proteins of Charlend Accountable. Jacoups, Institute of Chartered Ac Moorgate Plaza, E.C., 12.00 BOARD MEETINGS-

Bruming Grosp
Pape Intl.
Singer & Friedlander
Zesters Leisure
DIVIDEND & INTEREST PAYMENTSArticow Streamlines 1:p
Allied London Properties 1:sp
Amber Industrial 1460g. 3:25p
Angio American Coel 80cts.
Annutities 24% 149pc.
Annutities 24% 149pc.
Annutities 24% 149pc.
Annutities 24% 149pc.
Aspricot Computers 0:5p
Australia Inv. 7:st. 2-7p
BSN F7625
Bankers Inv. 7:st. 2-7p
BSN F7625
Bankers Inv. 7:st. 2-7p
Clyde Blowers 6:32p
Clyde Blowers 6:32p
Clyde Blowers 6:32p
Clyde Blowers 6:32p
Cook (William) 2:25p
Croydon Corp. 35% 1%pc.
Freedex Agricultural Inds. 0:5p
Finity (Jumes) 2p
Free Delis Ints. 1p
Do. 7% 2nd. Com. Prl. 4.5p
Flobal Intl. 0:5p
Geest 1:5p
Gramyte Surface Costings 1p
Guardian Royel Exchange 15p

2003/08 4/kpc.

Lunting Petraleum Services 10% Cnv., Sub.

Lunting Petraleum Services 10% Cnv., Sub.

Lipus Mets Growth Fund Ptg. Red. Prf.

Sch.

Lipus (Wm.) 10p

Martin (Albert) Hidgs. 1.4p

Martwell Comm. 8p

Metropolitien Waiter Staines Res. Joint

Comm. 3% Gid. Deb. 1/kpc.

NMC Group 0.7p

Net West Sank 12/4% Sub. Un. Ln. 2004

6%po.

New England Properties 10% Cnv. Un. Ln.

6%pa.
New England Properties 10% Crw. Un. Ln.
1980 Spc.
Powell Duffryn 5.25p
Rand Menes 93.33761p
Reed Intl. 3.5p
Robertson Group 6.9p
Runciman (Welter) 3p

Tyzack Turner Group 1p Williamson Tee Hdgs. 10p Yule Catto 111/1/6 Cum. Red. Prf. 1998/2003 5.75p WEDNESDAY JANUARY 8 BOARD MEETINGS-Finals;

Finals; Horne (Robert) Sock Shop Intl. SOCA SALLY Interins: Holiss Group Zygal Dynamics DWIDEND & INTEREST PAYMENTS-COMMENT ID DIVIDEND 8 INTEREST PAYMENTS
Aquiscultum 1p.
Do. A (Rest. Vig.) 1p
Bailey (Ben) Construction 6.5p
Barro (Minken) 4.55p
Bennett & Fountain 0.7p
Blue Circle Inds. &W. Un. Lt. (1975 or
After) 3'spc.
Brackford & Bincley Bidg. Society Fig. rate
Nts. 1995 2259.22
Brackford Property Trust 5.5p
British Shoe Corp. 7% Un. Ln. 1985/80
3'tipo.

31/50.

20/man (E. Alac) lave. 8% Un. Ls. 1991/86
Apc.

Courtellide 5% Cum. 1st. Prl. 1.759
Equity & General 0.4p
Retrier Challenge 16% Spec. Prl. 17.6cis.

Feature Challenge 16% Spec. Prl. 17.6cis.

Caledonis live. 2.50
Carles Corpt. 6.25cis.
Cralc & Rose 2p Courtiside 5% Cum. 1st. Prf. 1.75p
Equity & General 0.4p
Fletcher Challenge 16% Spec. Prf. 17.6cts.
Freemans 7% Deb. 1899/94 3%pc.
Frost Group 3p
G.T. Management 1.25p
Globe Inv. 13t. 1.5cp
Henderson Administration 7p
Heghland Distraction 1.7p
Heghland Distraction 1.7p
Heghland Electronics 1.5p
Hunter Sapher 1.35p
Hunter Saphe 1.35p
Hunter Saphe 1.35p
Just Rubber 0.7p
Just Rubber 0.7p
Just Rubber 0.7p
Lon. & Provincial Snop Centres New 10%
1st. Attp. Deb. 2026 Spc.
Morgan Grucible 81% Deb. 1986/2000
448pc.

Pratt (F.) Eng. 7%% Un. Ln. 1987/92 3%pc. Property Property Partnerships 1,75p Samuel Properties 74% 1st. Mg. Deb. 1985/2000 3%pc. Dc. 11% 1st. Mg. Deb. 2016 5%pc. Smith (W.H.) & Son 8% Red. Deb. 1987/92

400.
Do. 514% Red. Un. Ln. 2%-pc.
Do. 714% Red. Un. Ln. 1988/83 3%-pc.
Smiths Inda. 4.5p
Standard Chartered Und. Prim. Cap. Flig.

DIARY DATES

i ma Products 1.75p United Excusts 4p Unitycorp Trust 2.75p Value & Income Trust 0.625p Wade Potteries 3p Whitpread & Co. 74% Un. Ln. 1996/200

3/spc. Do. 10/1% Un. Ln. 2009/05 5%pc.

THURSDAY JANUARY 7
COMPANY MEETINGSDiploma, Great Eastern Hotel, Liverpox
Street, E.C., 11.00
BOARD MEETINGSFinals;
Abboy Panel Invs.
ASSOC. Newspapers
Chicket Library Assoc rewespers Christy Hunt Daily Mall & General Trust Debenham Tewson & Chinnocks Hidgs. Devinurst Interiors;

Abbey
Julys Hotel
DIVIDEND & INTEREST PAYMENTS-DIVIDEND & INTEREST PAYMENTS-Bridsh & Commonwealth 3.5p Bridsh Assets Trust 0.8p Burman Oll 8p Calcebreed, Robey 0.8p Do. A K/Vig. 0.8p Cannon Street Invs. 7.7% Cnv. Cum. Red. Prf. 1934/98 3.85p Charter Cons. (Reg. 4.25p Do. (Br) 4.25p Do. (Br) 4.25p

Uo. (Br) 4.25p Chemosy Infl. 1.85p Credey Print 0.8p Dhisome 4.5p EMAP 1.1p External Inv. Tst. 9p Friendly Hotels 0.75p Halifax Bidg. Society Fitg. Rate Ln. Nts. 1992 E129.61

Halifax Bides, Society Fitty, Rate Ln. Nts. 1992 5129.61
Hogg Robinson PLC 1.8p
House of Fraser 8% Mtg. Deb. 1996/91 4pc.
M. & G. Fund of Inv. Tst. 2.4p
M.K. Electric Group 4.2p
Memory Compuser 7.8% Cnv. Cum. Red.
PT. 1994/98 3.9p
Merzies (John) 1.65p
Microffim Reprographics 2p
Reprosent Most Houses 7% Cnv. Cum. Red.
Ptl. 3.5p
Reprographics 1.75p
Reproser Textilize 1.75p
Reproser 3 Sichey 2p
TR Australia Inv. Tst. 1.41p
TR North American Inv. Tst. 0.5p
Themes Television 4.4p
United Kingdom Fitty, Rate Nts. 1992
\$208.24
WCRS Group 1.35p \$208.24 WCRS Group 1,35p Weste Management Scts.

FREDAY JANUARY 8 COMPANY MEETINGS-Capital Redio, Duke of York's Theatre, St. Martins Larse, W.C., 9.00 35B Electrical, Lectrokis Intl. Hotel, Man-chester Airport, Outwood Lane, Manches-M.M.T. Computing, Chesterfield Hotel, 35, Charles Street, W., 1.00 BOARD MEETINGS-Interior

Craig & Rose 2p Eleco Hidgs. 3.5p Evans of Leeds 2p Fashion & General Inv. 10p. Fisher (Albert) 1.25p Prisher (Albert) 1.25p Grampian Television N/Mg. A 0.43p Inter-American Development Bank 12%% Ln. 2003 6 Apc. JSB Electrical 2p

Lep Group 1.2n National Bank of Canada Fitg. Flate Nts. 1991 \$185.88 lationwide Bidg. Society Fitg. Rate Nts. 1985 £129.61 read & Co. A Lim/Vo. 2.80

Whithread & Co., A Lim/Vrg. 2.8p
Do. B 2.8p
Whithread inv 2.8p
SUNDAY JANUARY 10
SUNDAY LINTEREST PAYMENTSLendon County 6%% 1988/90 3%pc.
Treasury 114% 1991 5%pc.

January 6-17 (0932-854511)

January 17

Antiques and Collectors Fair Health Exhibition (01 446 8211)
(01-883 7061)

5051) NEC,Birmingham

January 13-16

January 13-19 Hong Kong Toy Show (01-930 January 22-29
7955)
January 22-29
Bahrain Fair (01-486 1951

Redwood Lodge Hotel,Bris-International Business Commu-

4080) Cafe Boyal, London W1 **January 13** Manchester Business School: Business and economics in a smaller world with Profes-

HS Conference Studies: Winning planning appeals (01-437 9090)

Cafe Royal, London W1

January 19-20

anuary 19-20

Unlike some of AEG's other activities, which include radar,

"We have to become more mar-

Trade Fairs and Exhibitions: UK

Alexandra Palace Earls Court January 26-28

January 7-10

Hirex Exhibition (01- 660 8008)

Wembley Conference Cen-NEC, Birmingham January 30-February 3

January 10-14 Electronics Industry Show (0273 International Lightshow Exhibition (05884 658) Electronics Industry Show (0273 675131) - ELECTRO WEST Bristol Exhibition Centre

Alexandra Palace
January 19-22
Which? Computer Show (01-891
Ware and Housewares Show ware and (0604 22023) NEC, Birminham

Goods for the Home Exhibitions - INTERKIT (01-225 5566)

January 10-13 Middle East Electricity Exhibi-tion (01-935 8537)

International Home and House-hold Textiles (01-734 0543)

Hong Kong

nications: Implementing a strat-egy to prevent computer fraud in

sor J. Kenneth Galbraith.

Manchester

January 19 Management Forum: Expert systems in business and the pro-fessions (0483 570099) Cafe Royal,London W1

Crown Eagle Communications: Successfully acquiring unquoted companies (01-242 4111)

Institute for International Research: Creating, implementing and projecting an effective corporate identity (01-434 0301) Park Lane Hotel, London WI

Harrogate February 2-3

January 9-14
British International Toy and International Toy Fair (01-226 Hobby Fair (01-701 7127)
6653)

Raris Court

Olympia February 2-4 London International Safety and

Overseas Exhibitions

January 14-18
International Supplies and Materials for the Furniture Industry
APPROFAL and Take-away

January 21

Lea, Storey & Co: Total quality management and the customer (0272 211964)

retail electronic banking (01-236

communications systems (0). 730 3438)

Business and Management Conferences Legal Studies and Services: Share schemes for executives and employees - the new law practice and strategy (01-236 4080) Royal Lancaster Hotel Lon-

> Institute of Personnel Management: Preparing to win at an industrial tribunal (01.946 9100)
>
> Rembrandt Hotel, London
> January 25-26 Financial Times Conferences;

Civil aviation in the Pacific basin: the pattern of the future (01-925 2323) Shangri-La Hotel, Singapore January 26 EMAP Conferences: Corporate pensions - countdown to change - the definitive guide to the new legislation and regulations (01-404 4844) Cavendish Conference Cen-

January 27 The Association of Corporate Treasurers: Commercial paper -the opportunities (01-631 1991)

Cafe Royal, London W1 February 4
Spectra Retail Concepts: Looking forward at PC based instore systems (0734 794161) Cafe Royal, London Wi February 9-10 Frost & Sullivan: Fibre optics in

Portman Hotel, London W1

Anyone visiting to attend any of the above errors is advised to telephone the organisers to custor that there have been no changes in the details published

was still struggling badly. Some former colleagues say he underesti-mated the scale of its problems. **BUILDING CONTRACTS**

ther.

TARMAC CONSTRUCTION
has started work on contracts
toimprove Bellities at John Butlins holiday centres.

food court, extensions to two car-avan parks, an area for touring caravans, and modernising 370

Work at Skegness involves building a 1000-seat showbar,

The latest projects - scheduled

Solar shading Glasgow complex

A Sim plus contract has been shading equipment has been awarded to COLT INTERNA. chosen.

TIONAL Havant, by Sir Robert Marie from PVC impregnated woven glass fibre which reduces tots, to equip the biggest glazed the effect of direct solar radiation by 88per cent, the being shading

Fracts 1.33p
General Instrument Corp. 6.25cts.
Glass Glover 65% Cura, Criv. Red. Prl. 2000
3.25p
Glass Hidgs, 14p
Greyhourd Corps, 53cts.
Hensitton Off Sects.
Do. A. Prl. 4886cc.

Inchape 8.5p Inchape 16.8% Un. Lr. 1986/91 4pc. Kernetty Brookes 0.975p LWT (Pidgs.) 18.3p Lawrence (Water) 1.25p Locker (Thomes) 0.575p Locker (Thomes) 0.575p London & Assoc. Inv. Tet. 6.15p Lorin Electronics 1.3p Lyries (S.) 3.5p Mertin (Florald) Grootte 1.65p McKednine 8.2p Mid-Southern Water 7% Red. Pri. 3.836p Mid-Southern Water 7% Red. Pri. 3.836p Murgan Crushie 4.5p McKednine 8.2p Mid-Southern Water 7% Red. Pri. 3.836p Murgan Crushie 4.5p McKednine 8.2p Mid-Southern Water 7% Red. Pri. 3.836p Mid-Southern Water 7% Red. Pri. 3.836p Murgan Crushie 4.5p Muckey (A. 8.1) 3.335p Murtay Smaller Markets 7st. 0.85p Nothern Engineering Inds. 1.85p Pitterd Garner 1.75p Rometic 17.81348p RTZ (Reg.) 3.2p Do. 4ccass. 0.1p Do. 3.336 B Cum. Pri. (Reg.) 1.75p Do. 3.5% B Cum. Pri. (Reg.) 1.75p Rometic 8p Security Pacific 9295.54

Rowntree Sp Security Pacific \$225.21 Silentnight Hidgs. 1.75p Stikoldne Lubricasta 4p

WPP Group 1.5p Werburg (S.G.) Capital Fitg. Rata Nts. 2006 \$390,78

in a state of upheaval," says Duerr.
"It takes a long time to change existing structures."



ANTHONY HARRIS

THE US financial world is going in to 1988 faced with an unresolved whodunnit. Did the programme traders cause the crash of last October, as the Chairman of the New York Stock Exchange believes, or were they sim-

ply among the victims of it?
This question will only be resolved, if ever, when we know exactly who did what, and when. In a general sense, though, I feel sure sense, though, I feel sure
that the high technology
hedgers are guilty as
charged. Changes in prices
are the means by which supply is made equal to
demand. If half the market
is hedged and can carry ou
as if nothing had happened,
the system will fail to reach
balance, and prices will

Why forecasters are at sea

charged. Changes in prices are the means by which supply is made equal to demand. If half the market is hedged and can carry ou as if nothing had happened, the system will fail to reach balance, and prices will move further.

These large price movements explain why economic forecasters are so at the moment. They rely on models which relate the future to the patterns of the patterns of the frature to the patterns of the past; but as market volatility has grown, we have drifted further and further large large of the past; but as market tolated further and further large large of the past; but as market tolated further and further large large of the past; but as market tolated further and further large large of the past; but as market tolated further and further large large of the past; but as market volatility has grown, we have drifted further and further large larg

do. Consumer spending It would be pleasant to seems to be less buoyant report that American indus-

anecdotal evidence of companies which are refusing to
commit themselves. This is
partly because the company
directors are just as
beaused as the economists
by the volatility of financial
most extreme example; so by the volatility of financial markets; they know that the far from expanding, LBO dollar is down, but have no companies are still strug-confidence that it will stay gling to sell assets to reduce their debt burden. Many

Another worrying possibility is that many US companies, which have the markets to justify investment and the confidence to do it, cannot finance the capital expenditure which they would like to make. This is a direct result of the overheated state of Wall Street until October 19, when no company, however large, felt safe from corporate raiders.

The debt burden. Many other companies have bought in their own equity on a large scale, substituting debt. They can borrow no more. The fever in the provoked this rush into debt, may have been cured on October 19. The debts remain.

It seems possible, on present evidence, that most of US industry is haustrang in this way, and that the boom

shown in the recent figures reflects mainly expansion by foreign-owned compa-nies, with the Japanese in the lead. This has already excited some protectionist congressmen, who talk about a foreign invasion; but it could prove the most kelpful development of 1988.

It was the invasion of portfolio investors in the earlier 1980s which made it most extreme example; so far from expanding, LBO companies are still strugging to sell assets to reduce their debt burden. Many other companies have bought in their own equity on a large scale, substituting the debt. They can borrow no more. The fever in the securities markets, which provoked this rush into debt, may have been cured on October 19. The debts remain.

It seems possible, on present the way, and that the boom in plant and equipment difficult to contrive.

INTERVIEW

A rock of certitude

John Lloyd meets Immanuel Jakobovits, DISCUSSION of the British malaise has shifted from the material to the cultural and the newly ennobled Chief Rabbi spiritual. The BBC and the Church of England now com-mand the places in news schedules once reserved for names involved in bitter industrial disputes, such as Longbridge and Aslef. Recondite institutions and figures like Crockford's and the deputy director general of the BBC are given prominence deriving from the perception that the positions they hold are no longer sinecures of a secure estab-lishment, but battlefields.

On a battlefield, fixed points and strong positions are enviable possessions. If it is true that there is a general search for a moral universe within which to locate our fragmented lives, then those who are discovered to be occupying firm rocks already - preferably rocks of ages - will benefit.

Sir Immanuel Jakobovits, Chief Rabbi of the British Commonwealth, ennobled in the New Years Honours list and the first rabbi to have been so, stands on such a rock. The vigour and certitude with which he gives voice to moral concerns is contrasted by many with the bitter internal wrangles within the Christian churches on, above all, matters of sex: in particular, women priests, homosexuality and

His moral positions are not adopted - not consciously, at adopted – not consciously, at least – by reference to points least – by reference to points and idleness. Unemployment is a curse, of course, but idleness 1979 President of the Confirmation of the Confirmat fixed by contemporary debate, but wholly by reliance on scripture on the law, and the scripture: on the law, and the prophets. His social reflexes derive from the position of a diaspora Jew of the late 20th century, drawing on a tradicentury, drawing on a tradition, a history and a tragedy which are far more consciously realised in every Jew than their equivalents (where they exist) in most Christians.

By creating him a peer, the Prime Minister has put into parliament the most authorita-tive spokesman for traditional virtues in the country: it is an irony, but not in these times strange, that he should be an immigrant and that his values are those of a community which is determined to

maintain its separateness.

of the British Commonwealth existence: and that at different times and in different countries has been in doubt. Jakobovits is not actually wrong.

If I am not for myself, who other spheres. On homosexual acts, for example: "I would call myself only, who am I?...Separate thyself not from the compared that has been orbitated."

The sphere of the spher munity. Trust not in thyself that has been achieved: "The whole art of Jewish survival until the day of thy death." lies in the fact that we have managed to triumph over nature". And his own affinities continued: "We see here that Judaism seeks not to create a with the Government are expressed in the congruity of tension between individualism its values to Jewish ones: I and collectivism: on the con-think (the Government) has trary, it seeks to balance out and collectivism: on the con-

tion in the general social personal file debate was his response to the 1921: Born K 1921: Born Konigsberg, report commissioned by the Germany. Father a rabbi. 1936: Family flees to Lon-Archbishop of Canterbury, Faith in the City (September

stress individual human

agency as a means of rescue

Let me put it this way: I

believe that work in itself has

make ourselves useful, irre-

spective of rewards: here is an

intrinsic purpose and a means

whereby every individual does not look at himself, or allows

from poverty and despair.

1985): he found it over gloomy, and too little concerned to education at London Unieducation at London University and Jews College. Marries Amelie Munk: they have six children. 1949: Made Chief Rabbi of 1957: Rabbi of Fifth Avenue

an intrinsic value, not only because it helps us to earn a Synagogue, New York 1967 Chief Rabbi of the living but because we pay our debts to society in this way. And therefore I make a distinc-United Hebrew Congrega-tions of the British Comtion between unemployment monwealth

ference of European Rab-1981 Knighted

the collective as something more than simply an accumu-lation of a lot of individuals; on the other hand we must not

Jews must maintain their very preaching some 2000 years ago: nature" on which he insists in their continued existence. It is

acts, for example: "I would call these things morally wrong. My creator tells me it is griev-ously wrong under the heading of immoral acts. I want to cultivate a moral sense in which

Now if it had been properly spelled out, the campaign future constitute the bulk of would have said: the ideal our people."

a perception sharpened by his own circumstances – at 15, a refugee from Nazi Germany: and he is quickly stimulated to a controlled rage when, for example, it is put to him that there is a school of revisionist" historians which denies many or all the facts of the

Holocaust.
I have lost innumerable close relatives - uncles, aunts, cousins - with whom I grew up. Where are they if they didn't perish? Entire vast comsociety will differentiate between what is acceptable and what is morally unacceptable. Now I do see, of course, that there is a minority which had been acceptable and the see, of course, that there is a minority which had been acceptable and the see and the see are they? Take a think (the Government) has created a veritable revolution of attitudes, perhaps even more important than the economic advances which have occurred.

His most celebrated intervention in the general social debate was his response to the scenario committed with the scenario committed with the scenario committed which we owe to ourselves and that which we owe to others. Hence my support for a natural desires. If it were there before allowed, every time we felt something was "natural", to surrender to temptation, then we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether...if I tell children we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender to temptation, then we wouldn't have an order of society altogether with a surrender we wouldn't have an order of society altogether with a surrender with a surrender we wouldn't have an order dren, you can live either with a married partner, or any partner at all (as long as you are faithful) then it destroys their

faithful) then it destroys their sense of values.

For Jakobovits, the only sexual behaviour which may be sanctioned is married love; no leader, religious or secular, has the right even to imply encouragement of any other. "My issue with the Government on its AIDS campaign was that the state should not encourage anything which confers legitimacy to immorality. I fear that the campaigns on AIDS presupposed that if you can't do the best thing (which is to be married and have fidelity within living on a scale unknown in modern times. It is in Britain and it's global, it's a universal phenomenon — in Israel. Australia, in the US, in ried and have fidelity within Israel, Australia, in the US, in your marriage) then you must the Soviet Union for that matdo the next best thing, and
the next best thing and
the soviet Union for that matprotect yourself against the get lost, the committed minor consequences of your infidelity expands greatly, becomes ity.

Now if it had been properly will, within the foreseeable our people.

whereby every individual does not look at himself, or allows others to look at him as a reject from society. I want everyone to feel that society needs us, that we have a role to play. That is why I advocate a passion for work, an addiction to work.

To challenge him on a code which could be seen as excessively individualistic, I unwisely quoted to him a saying of Hillel, a rabbi who was preaching some 2000 years ago:

Interest of the infinite preciousness of one individual...so there is all the time a balance to be struck between caring for take precautions...that I could sanction. When Government society at large. No one should count himself out."

When he pronounces on sexing the individual and at the same to terms with evil without saying so, then that is inherently unacceptable."

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When he pronounces on sexing to the individual and at the same to be struck between caring for take precautions...that I could sanction. When Government to terms with evil without saying so, then that is inherently unacceptable."

When he pronounces on sexing to the individual and at the same to teaching him from society at large. No one should count himself out."

When he pronounces on sexing the individual and at the same to teach propaganda, or education, promotes something which comes to terms with evil without saying so, then that is inherently unacceptable."

But for him, the greatest tribusing the took public issue, earlier this unacceptable."

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But for him, the greatest tribusing the propaganda, or education, promotes something which comes to



on what is right and wrong. I tence...I do not think that rely on external revelation and modernity in itself, coming to on the law. And so I wouldn't terms with the moral world call that fables: that is a deniary and what it has to offer, is in changing. It is beyond the gration of something I hold any way in conflict with dear, precious, more than life believing that my moral norms itself. It is for the sake of this are governed by factors which that all our martyrs gave their are immutable, beyond time, as lives — to maintain the primary of a teaching which gave sand years ago and will be as that it has lasted, it has endured."

human conscience to guide me meaning to our very exist hree thousand years from on what is right and wrong. I tence...I do not think that now.

Judges bow too willingly

GT Biotechnology & Health Fund (*)

GT Britain Fund (*) GT Deutschland Fund (*)

GT Europe Fund (*) GT International Bond Fund (*)

GT Investment Fund

GT Special Series Fund

GT US Small Companies Fund (*) 2, boulevard Royal,

2953 Luxembourg

NOTICE TO SHAREHOLDERS

The Directors of the above Funds approved with effect from November 30, a change in the calculation of the net asset values of the Funds to ensure that shareholders are able to deal at a more realistic price. Net asset values are no longer determined on the basis of securities prices prevailing on the proceeding bank business day, but on the basis of the the same day's securities prices. (*) The prospectuses are currently being updated and may be obtained at no charge at the funds' registered office.

By order of the Boards of Directors

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IT WAS entirely predictable that the legal encounters of 1987 between the Government and the press over the publica-tion of Spycatcher would spill over into 1988, if only because the Government's appeal against the pre-Christmas judg-ment of Mr Justice Scott, denying the Government perma-nent injunctions against the Guardian, the Observer and The Sunday Times, has already been scheduled for hearing in a



instance ask for injunctive relief in terms wider than was strictly necessary to preserve matters of national security? And why was Mr Justice Ian Kennedy acquiescent to a blan-ket ban on publication which

The Sunday Times, has already been scheduled for hearing in a fornight's time.

Less predictably, but nevertheless werging, lass been this work from the form the for

Spycatcher, when all around over the writings of Secret Serthe English-speaking world the vice officers.

book is freely available and by We are told that the Govern-

Assuming that the limited terms of the injunction, by which the newspapers are prepared to abide at least until the resolution of the Spycatcher appeal a fortnight hence, why did the Government in the first entered to the fortnight hence, why did the Government in the first extention of the Spycatcher appeal a fortnight hence, why did the Government in the first entered each for injunctive time seek ing to convict even in the face of compelling evidence, has led entered to be direction of government lawyers to turn their attention away from the fully in the direction of government is worrying. Mr. Justine Spycatcher are part of the first extension and the first extensio tice Scott's trenchant, not to confidentiality. Hence the say pungent, criticism of the long-running battle in the Government's claim to be entitled to stille publication of Zealand and in this country

Buildings debate finds a broader base

It is always tempting to look back on a passing year and claim that it represents some kind of a watershed. For architecture 1987 may not have been a crucial turning point but it was in many

ways a significant year.

Architecture is, and this should not need saying about the buildings, edifices, and constructions that man creates upon the earth. It is also about political properties planning and tics, personalities, planning and prevarication but in the final judgment what matters are the

buildings.
In 1987 one of the most encouraging signs has been the fact that there have been some significant new buildings to discuss and that the general level of that discussion is broader and more intelligent.
Early in 1987 the conversion of

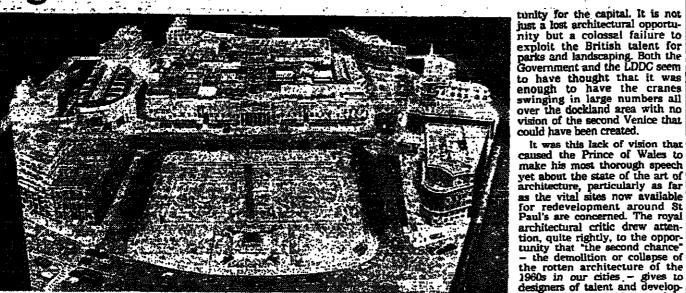
Paris's Gare d'Orsay into a museum of the 19th century was unveiled. The Italian architect Gae Aulenti had produced a powerful architectural solution to a very difficult problem. Her adoption of a strong, almost Egyptian style within the iron and glass structure was brave and stylish.

The whole scale of the under-taking impressed all of those present at the opening – particu-larly visitors from Britain used to a more parsimonious govern-mental approach to the arts. We have major collections of 19th

Much of the display, particularly of paintings, at the Musee d'Orsay is debatable but it has two great virtues. Architectural inspiration is one of them and a new and effective approach to information about art is another. The French commitment to com-puterised information is impressive and reveals a didactic annroach to museums that could well be emulated here. It would be fatal if modern methods of communication obscured art but, used intelligently, there is no doubt that it can encourage illu-

tural pleasures in 1987 and the promise of more to come in 1988 promise of more to come in 1988 and not very comfortable culing.

and 1989, it was thrilling to see tural collection, in town plan—Major architectural activity lean Nouvel's institut du Monde Arabe almost completed last—although the creation of a new to the capital and the south-east year. It is another of President year. It is another of President Mitterrand's "grands projets" for Paris and demonstrates both a late 20th century view of Islamic architecture and a very French fascination with high technol-



A model of Robert Venturi's Sainsbury Wing design

glass wall with a superimposed view, played with architectural Islamic pattern will be a Paris fire in a spirited and original landmark. The new centre will way. He does not do this at the attract the public to the left expense of the showing of picbank of the Seine at the end of tures. mental approach to the arts. We have major collections of 19th century art and artefacts that some of the items from the century art and artefacts that some of the items from the there is little cultural vision that would enable a project like the Musee des Arts Africain et Wousee d'Orsay to get off the ground.

Much of the display, particularly of paintings, at the Musee des Arts are the chances of the same time as the Tate both museums and collecting in Paris. What are the chances of the National Gallery announced their selected design by the American architecture and surguments about colour with Jections from the Louvre and James Stirling seems to fall on deaf ears (more appropriately, blind eyes) but his games with Neo-classical primitivism are retwarding and original.

At the same time as the Tate both museums and collecting in Paris. What are the chances of the National Gallery doing some similar re-thinking?

Architecture and James Stirling seems to fall on deaf ears (more appropriately, blind eyes) but his games with Neo-classical primitivism are Gallery opened its new wing the announced their selected design by the American architect. This put the architecture and museums are rewarding and original.

At the same time as the Tate both museums are collecting in Paris What are the chances of the National Gallery announced their selected design by the American architect. This put the architecture and museums are collecting in Paris What are the chances of the National Gallery announced their selected design by the American architect.

the new regime at the V and A doing some similar re-thinking? Architecture and museums have been close partners in 1987 - indeed the new museum is the architectural icon of the 1990s, A major new one opened last year in Cologne - the Wallraf-Richartz Museum and the Ludwig Museum with a new concert hall on a crucially important site and clever a concept with insuf-between the Rhine and the most ficient rationality to be a close unified Gothic cathedral in neighbour of a classical building. Europe. The architects Busmann Mr Venturi's concertina'd classi-and Haberer opted for an almost cism is daring, his very tight industrial approach to their planning ingenious and if the buildings. Metal cladding, facto-ry-like skylights and hard inter-nal finishes make this a tough a fascinating new London build-and not very comfortable culand not very comfortable cul-

firm is supported by much more commercial architects Fitzroy Robinson – and there is an encouraging chorus of smaller firms: Allies and Morrison,

the Boulevard St Germain both by its contemporary beauty and its museum displays. The transfer to the new rooms of the Institute of the Arab and Islamic column and Islamic column and Islamic column with Islamic form.

by the American architect, Rob-ert Venturi. This put the archi-tectural debate about the National Gallery back where it belongs — in the international

league.
Mr Venturi's design was well received although some critics have found it too complicated

square on top of the underground concert hall is not a complete success.

In London the opening of the
Clore Galleries – an extension of
C ogy the Turner Bequest - met with a selection of architects. The list of The light sensitive wall with mixed critical reception. The names shows the way the develus moving parts that shade a architect James Stirling, in my oper/architect relationship is

vision of the second Venice that could have been created. it was this lack of vision that caused the Prince of Wales to make his most thorough speech yet about the state of the art of architecture, particularly as far as the vital sites now available

for redevelopment around St Paul's are concerned. The royal architectural critic drew attention, quite rightly, to the opportunity that "the second chance"
- the demolition or collapse of
the rotten architecture of the the rotten architecture of the 1960s in our cities — gives to designers of talent and developers of vision. Architects, planners and developers came in for a severe royal drubbing but the speech also sowed the seeds for important new thinking.

to have thought that it was

enough to have the cranes

swinging in large numbers all over the dockland area with no

Erich Mendelsohn, an almost equally interesting architect although less original than Le attrough less original than Le Corbusier, had his centenary in 1987. It went almost unrecorded although a small exhibition about his work was mounted at the Bartlett School.

unknown Richard Horden
against competition from more
familiar leading firms. His proposals for giant glass sails that
will overlook the walls of Buckingham Palace have not yet hit
any rocks of royal criticism.

The major international competition of the year, for a design
for the Indira Gandhi Memorial
Arts Centre in New Delhi, was In England Erno Goldfinger and Maxwell Fry both died in their eighties and the equally long-lived historian, Henry Russell Hitchcock, died in New York. The passing of the founders and practitioners of the international modern style reminds us of their modern style reminds us of their talents and their intelligence.

it would be a worthwhile exercise to exhibit them. The site for the arts centre is an important What has been sad about the what has been sad about the cultural climate of architecture in 1987 was that it remained bedevilled by a polarisation of views. Any critic of bad architecture is sadly seen as an enemy of modernism. I would like to see an acceptance of a much more acticle view of new publice. Philip Johnson put forward his proposals for the second stage of the Hay's Wharf development opposite the Tower of London. His adoption of the Barry-like forms of Highelere or the Palace catholic view of new architec-ture in 1988, a recognition of the fact that we are in a lively and important transitional stage. It would be wonderful, too, if the profession, the patrons and the public, would accept as their common aim for 1988 a raising lands with little architectural inspiration. As the crop of largely indifferent new buildings of standards of design and vision for, not just 1988, but to take us up to the Millennium.

L'italiana in Algeri/Covent Garden

adoro the singer holds the house on a thread of tone.

The final pages of the patriotic aria tried her, as well they might. In the first part Ballsa

was severe, rather as if Isabella was demanding the return of the

Eigin marbles. There is a certain monotony of vocal colour, the quality good but undeviating.

As Mustafa Bey the Italian

bass Paolo Montarsolo, well remembered from Glyndebourne.

makes a belated but welcome Covent Garden debut. His full-

if they didn't exist.

Deon van der Walt takes the tenor role of Lindoro, phrasing notably well even when the cruelly high tessitura pinches his tone as it does in the second.

was last given at Covent Garden. The title role then was sung by Conchita Supervia, who restored Rossini's comic mezzo role parts to the repertory in their original form. Supervia's inimitable tim-

bre, caressing phrases and bubbl-ing high spirits, preserved on disc (she recorded four numbers from L'italiana more than once re-issued), remain as challenge, inspiration and sometimes, no doubt, discouragement to her SUCCESSORS,

Although shunned since those days by Covent Garden, L'ual-sana has been firmly fixed in the repertory elsewhere as one of Rossini's popular buffo operas. The first act is continual delight, with the effervescence and absurdity streaked with genuine feeling. The second act has its points, but after the quintet the points, but after the quintet the libretto strays into lengthy episodes concerning the appointment (to keep him from being a nuisance) of Isabella's hanger-on Taddeo as Kaimakan or lieutenant to the Bey of Algiers and the bogus enrolment of the greedy potentate himself as a Pappataci — imaginary tribe of complaisant

speech also sowed the seeds for important new thinking.

Le Corbusier received the homage of the faithful at major shows at London's Hayward Gallery and (more successfully) in Paris. No one doubts his importance. What is worrying is the deadly seriousness of his supportance. What is worrying is the deadly seriousness of his supportance who refuse to admit that many of the master's ideas were incredibly damaging.

Erich Mendelsohn, an almost coupling interest increase in a mainter. This outburst of national matter. This outburst of national matter. This outburst of national feeling (at an early stage of Italian history) has the power, when well sung, of pulling the end of the opera together.

Over 50 years have passed since of the Jean-Pierre Ponnelle pro-Rossini's L'italiana in Algeri duction unveiled on Saturday in the action against (and already seen at the Vienna State Opera) is Agnes Baltsa. The Greek mezzo soon dispels any suspicion that the opera might be overwhelmed by the large house. Baltsa enters backwards, their will or who observe it from the outside - one wonders if the composer identified with them. Mr. Corbelli's easy, crystal clear diction is a treat. Roderick Earle does all that can be done for pirate Haly. Judith Howarth as the scorned wife Elvira, and rescued from shipwreck and resembling a drenched govern-ess, but in no time strong person-Anne Masonher, Zilma, give ality and vocal agility assert themselves. By the time isabella strong support.

The production has been reappears, regal in a huge crino-line (the Italian visitors wear mid-19th century clothes, the locals are fairytale oriental) she

staged for London by Sonja Frisell. The touch, with the exception of one or two details such as Isabella's snatching from Mustais in full command of the stage. fa's plate of pasts (out of keep-In the reprise of Per lui che ing with Miss Baltsa's general reading of the part) is light, even in the hilarious but dangerous first act finale. Ponnelle's setting, a handsome architectural framework with a central opening for more distant prospects (including a toy shipwreck) is less overpowering than some of this fertile producer-designer's inventions. The chorus of eunuchs, singing stalwartly in the tenor and bass registers, is gaudily robed or rather half-robed, with sarding maked files hellies with sagging, naked false bellies.

It is the conductor, Gabriele size portrait of an entertaining old rapscallion – selfish, stupid, lecherous, credulous – deserves the gift of bringing the sparkle study by younger singers with buffo ambitions. Montarsolo has applied varnish but from inside study by younger singulars buffo ambitions. Montarsolo has an engaging way of clearing the vocal hurdles (those flendish triplets in the Bey's aria, for triplets in the Bey's aria, for example) set up by Rossini for shis first Mustafa, Filippo Galli, as his first Mustafa, Filippo Galli, as if they didn't exist.

The score, to its great advantage, has time to breathe. Ferro's shaping of the scene where Isabella and Lindoro shyly recognise one another, a page worthy of Mozart at his most penetrat-

interpretation. The woodwind tone, as it does in the second shone brightly. well sung, of pulling the end of aria. Alessandro Corbelli gives a The show, sponsored by the pearl of a performance as Tad-Cluff Foundation, was enthusias-deo, one of those Rossinian baritically received.



James Bond – the Panto/ICA

Martin Hoyle

The trouble with James Bond is native comics who have been mok of impatience.

The detailed knowledge of a Schwarzkopf does not perhaps function alongside this general urgency. But whenever it seems that she may be starting to contain the starting to contai matic existence made him as much part of British popular cul-ture as bingo or football vio-lence; and for every occasion that he has escaped a sticky end in fiction, he must have been done to death in comic form countless times in any medium

Year season with a Bond spoof ing likeness to Roy Hattersley; that contains much good and Peter McCarthy now directs. humour, some ingenuity and a seco-author with Haase.

vou care to name.

few hoary old jokes.

together now for nearly 10 years and who have successfully toured, broadcast and, collectively and individually, contributed to other people's shows. They are joined by an amiable Aussie from Ra-Ra-Zoo (reviewed before Christmas on these pages when at the Hackney Empire), the sweet-faced Judy Pascoe; and by John Dowie, comedian and pianist. Of the original Cliffhanger, Rebecca Stevens can still look furtive, menacing and

based Zap Club has sent a genial company to the ICA in The Mall.

'London to cheer the dismall that is performers (and one of the company) to the ICA in The Mall.

extraordinary' I didn't know girls could talk!") and his subsequent domestication. This extends to a job co-ordinating playgroups in Camden, and a rather rough first day as he learns the ropes of social service (he has to get a caretaker to load a skip with the 15 kids he inadvertently kills). Felicities include the inane inner workings of the secret service with an inventor who has come up with such British firsts as a barking contraceptive and who resigns to become a singer-songwriter in the Cat

Stevens tradition."
From this you will gather some of the zany and decidedly inconsequential flavour. Physically inventive (no set; though variations are rung on handy items of costume like balaciafew hoary old jokes.

The show's main joke hinges vas), the production also
The core of the company is on Bond's infatuation with an includes at least one very good
Brighton's Cliffhanger, the alterAustralian feminist (This is joke about journalists.

Stars/Watermans, Brentford

company's brighter young up and comers have given to their on the cold outside world. Their brave entermined usual entermittent American, happily laying on the cliches about breaking into a show biz and even bursting into a productions in the cold outside world. Their brave entermined world. Their brave enterprise her own ideas about glamour can be seen for another week at ("Oo the 'ell's Ruby Keeler?"). A the Watermans Arts Centre at

In a short four-hander by Ste-phen Lowe we see how selflessly Rosie Timpson (so good as the wanly dedicated little northern nurse in the RSC's Chernobyl play, Sarcophagus) can age 20 years, note how Cornelia Hayes looks more than ever like Meryl Streep's younger sister, and watch the promise of such intelligent actors as Tom Knight and Nicholas Collett.

The problem lies in the play itself. Stars never seems quite sure whether it's opting for sit-com absurdist fantasy or bittersweet Brief Encounter-type wistfulness. Dick, the cinema manager in a war-battered black-ed out British town (it is 1944) interviews the applicant for the

parallel couple comprises a fan-tasising older woman and a young American serviceman who in turn is not quite what he seems. Dreams, disappointments, regroupings, reconciliation and resignation ensue.

So does some fairly uncertain humour, not to mention unconvincing attempts to conjure up feeling of time and place with references to rationing, scarcity and nylons, and further flights of fancy into Bogartian manner-isms - none of which leaves us sure as to how seriously the characters, take their own dreams or how seriously we are meant to take them.

Good performances all round Besides playing the dreaming cinema manager, Mr Knight

Nottingham season announced

Habeas Corpus by Alan Bennet opens the Nottingham Play-house's new season on February 17. It will be staged by Peter Wilson's Mobil Touring Theatre, the third such Mobil production. Mike Harding's Fur Coat and No Knickers follows on April 6, prior to a national tour. A first play by Martin Lewton, Prison-ers (May 11), Arthur Miller's Death of a Salesman (June 1) and Lark Rise (June 29) completes the season.

Avckbourn to direct John Ford play

Alan Ayckbourn is to direct John Ford's best known play. Tis a Pity She's a Whore, for the National Theatre, opening in the Olivier on March 3. Rupert on March 3.
Rupert Graves and Suzan Sylvester play the brother and sister whose incestuous affair is at the centre of the play.

Lucia Popp/Wigmore Hall

The gradual emergence of Lucia Popp as a fully-fledged lyric soprano has been one of the more gratifying personal success stories of recent years in the opera-house. At the same time her career as a singer of German Lieder has been continuing apace and the New Year's Day recital at the Wigmore Hall was a timely showing of the new vocal potential discovered by this distinctive Czech singer.

working, Richard MacCormac's

Edward Cullinan and Hunt Thompson.

The second competition result for the Land Securities, Stag

Place, Victoria, competition was

won by the comparatively unknown Richard Horden

Arts Centre in New Delhi, was won by Ralph Lerner, an Ameri-

can architect who had practised in England with Richard Reid.

There were some interesting entries for this competition and

one in relation to Sir Edwin

of Westminster did not receive a welcome from the Docklands Development Corporation and

The same board continued the development of London's Dock-

appears there is a terrible sense of a missed architectural oppor-

were turned down.

She starts with the advantage of a voice that has a character of its own. We do not have here the usual creamy timbre of the typi-cal German lyric soprano. There is a fast vibrato below the sur-face and a tautness in the production of the sound that throw up a quite different range of pos-sibilities; and, being the artist that she is, Popp knows how to turn each of them to her advan-

This recital was also vividly projected. The development of the emotions in Schumann's Frauenliebs und-leben came across in a single wave of feel-

ing, so that the desolation of the last song hit with even more power than usual; and she was in such a hurry to keep the cycle sweeping along that when Geof-frey Parsons paused between songs to turn his pages at leisure, she shot him a quite devastating that satirically, if not literally,

that she may be starting to coast along and leave the clarity of her words and bubbling spirit to do the work of interpretation, she shapes a phrase with such indi-viduality — as in "Glaub ich blind zu sein" at the end of the first song - that one realises the songs have been fully absorbed

Her singing in the early Op 2 Schoenberg songs was equally lovely; the Strauss group rather less so. But after the heavenly singing that she gave us in one of her encores — Schubert's An Sylvia — nobody could go away feeling this was anything but a delightful way to start the year.

January 1-7

ducted by Hans Zender (20 **NEW YORK**

Metropolitan Opera (Opera House). Sir Peter Hall's pro-duction of Macbeth conducted by Giuseppe Sinopoli has its first seasonal performances with Eva Marton, Renato Bru-son and Samuel Ramey. Les Contes d'Hoffmann, in Otto Schenk's production conducted by Charles Dutoit, features Gwendolyn Bradley, Roberta Alexander, Neil Shicoff and James Morris. Manuel Rosen-thal conducts Die Fledermaus in Otto Schenk's production with Barbara Daniels, Judith Blegen, Tatiana Troyanos, David Rendall and Sid Ceausar. Lincoln Center (362 6000). New York City Ballet (New

York State Theatre). Nikolais and Louis. Two choreographers with their own companies. Alwin Nikolais and Murray Louis, team up for a five-week season featuring seven programmes, including a number of premieres. Ends

WASHINGTON

Washington Opera (Eisenhower). The season continues with the little performed L'A-mico Fritz by Mascagni in rep-ertory with Ruddigore, Kennedy Center (254 3670) HMS Pinafore (Opera House):

Brian Mcdonald's production stars Ron Moody and Meg Bus-sest. Kennedy Center. Ends Feb 6 (254 3770).

Mr Toad/Theatre Royal, Bristol

B.A.Young

"The Adventures of," to give the when he escapes from prison, full title, but the truth is, there dressed as a washerwoman, the Morley puts him across nicely enough. His first craze is for a caravan, including a two-actor horse that is given its head in

due time. Before Toad appears, we have already met Mole (Bob Hewis), who enters from a mole-hole and sings about the boredom of spring-cleaning, and Ratty (Damian Myerscough), who tells of the joys of messing about by the river. All three climb on to the esravan, which naturally meets an accident offstage at once. The dignified Badger (Phillip Reader) stands aloof from the jumpabout comedy of the others, but he joins them on their look at the Wild Wood.

Here we encounter the Chief Wessel (Gareth Tudor-Price) and his mob 1 knew him at once for a baddie. for he was wielding a rustic mike. But at last we are at Toad Hall, where Toad shows of! his car (it contains an electrode somewhere, for the sake of the

years by a lady magistrate, and and never too noticeable.

are not many adventures. Toad Weasels have taken his house relies mostly on his personality, over, to a swinging anthem, selfish and swanky, and Ken "Yeah, yeah, we took Toad Hall," Morley puts him across nicely at which the audience began to show their sympathies on the wrong side.
Piers Chater-Robinson's script didn't seem to interest the

almost-totally juvenile audience much as long as it stuck to Kenneth Grahame. The jokes in Edwardian public-school talk hardly raised a laugh. Either the author or Warren Hooper, the director, evidently foresaw this, for once Weasel with his mike and his black leather jacket had punctured the notice indiffer-ence, the last 10 minutes was pure pantomania, with "Oh yes they are" and "Which way did he go?" and one of Mr Chater Robin-

son's songs on a song-sheet.
What is admirable is the decor
by John Elvery, who has
designed a series of sets and backeloths that truly explore the Kenneth Grahame quality of the narrative. I take it he did the costumes as well. They contain just enough animal disguise but no more. The author's own rhyme), and in a flash Toad has no more. The author's own been charged with a number of music serves its purpose, and the motoring offences. He is given 20 dancing numbers are well done

'Nana' moves to the Mermaid

Shared Experience's production the Mermaid on February 8. Almeida Theatre, is to open at title role.

of Zola's Nana, which has just Adapted by Olwen Wymark with music by Anthony Ingle, completed a season at the Belinda Davison again takes the

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Arts guide

Music

PARIS

Aldo Ciccolini, piano, Renri Demarquette, cello: Brahms, Schubert, Debussy (Mon 6:30pm). TMP-Chatelet (42:33:44:44)
Orchestre de Parls conducted by Carlo Maria Giulini, Barbara Bonney, soprano, Jard van Nes, mezzo-soprano, Keith Lewis, tenor, with the Paris Orchestra's choir conducted by Arthur Oldham: Bach, Mass in B Minor (Wed, Thur): Salle Pleyel (45:63:07:95)
Nouvel Orchestre Philharmonique and Radio France Choir conducted by John Nelson, Anne-Sofie von Otter, Prederick Plantak, Laurence Alberts Berlicz, Romeo and Juliene, Dramatic Symphony (Thur). Theatre des Champs Elysees (47:30:36:37)

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zuhin Mehtz conduct-ing, Yvonne Loriod piano, Jeanne Loriod ondes nartenot. Messiaen (Thur). Lincoln Center (874 2424)

CHICAGO

Chicago Symphony (Orchestra Hall): Herbert Blomstedt conducting, Ivan Moravec piano. Mozart, Bruckner (Thur). (486 8111)

TOKYO

Tokyo Academica Ensemble, New Year Concert Mozart, Schumann, Debussy, Franck Tokyo Bunka Kal-kan recital hall (Tue) (561 5012) Tokyo Symphony Orchestra, Dvo-rak New World Symphony etc. Sun-tory Hall (Wed). (583 8151)

Opera and Ballet LONDON

Royal Opera, Covent Garden: the latest Rossini opera to join the Royal Opera repertory is L'italiana in Algeri, in a new production by Jean-Pierre Pon-nelle (borrowed from Vienna). Agnes Baltsa, Paolo Montarsolo, Deon van der Wait, and Alessandro Corbelli make up

the cast: that excellent Rossinian Gabriele Ferro is the con-English National Opera, Colisenus Valerie Mesterson sings her first Marschallin in the revival of Der Rosenkavalier, with Jean Rigby and Rosa Mannion, conducted by Chris-tian Bades. Further performances of two Jonathan Miller productions - the celebrated Mafia-style Rigoletto, with

John Rawnsley, and the inert, dully unfunny new Barber of Seville, with Della Jones's Rosina as the evening's single important saving grace. **PARIS**

Kiroy. The temple of classical ballet has brought, with Swan Lake and Giselle, a revelation: the couple Farouk Ruzimatov and Altynai Assylmuratova. Palais des Congres (426 62075) until len 10 until Jen 10.

ITALY Milan: Teatro alla Scala: Giorgio Strehler's impressive but gloomy production of Don Glovanni conducted by Ric-cardo Muti, with sets by Ezio Frigerio and costumes by Franca Squarciapino. A new cast takes over for the second half of the run, with Jose van Dam as Don Giovanni, Cheryl Studer as Donn'Anna, Patrica Pace as Zerlina. Also Nureyev's production of The Nutcracker,

vith scenery and costumes by Nicholas Georgiadis. (80 91 26) ome: Teatro Dell'Opera: Gounod's Faust (sung in French) directed by Luca Ronconi and conducted by Gian-franco Masini, with scenery and costumes by Pier Luigi
Pizzi. The cast includes Ruggero Raimondi, Jean Dupouy,
Carol Vaness, Roberto Frantali
and Alice Baker. (46 17 55)

Trieste: Teatro Comunale Giu-

seppe Verdi: The Ballets Nationals de Marseilles in Roland Petit's L'Angelo Azzuro, based on Heinrich Mann's novel Professor Unrat-

WEST GERMANY

Berlin: Deutsche Oper: Die Hugenotten features Angela Denning, Pilar Lorengar, Andrea Andonian and Victor von Halem. Der Freischuetz in Johannes Schaaf's production stars Rene Kollo as Maz. Die Zauberfloete with Helen Donath, Barbara Vogel, Martti Tal-vela and Horst Laubenthal closes the week. (34 381) Ramburg: Staatsoper: Le Nozze di Figaro is a joint project

between Hamburg and Salz-

burg Mozarteum. The cast includes Linda Plech, Deborah Massell, Ralph Houston and Peter Galliard. Ariadne auf Naxos has Hildegard Hartwig, Heseon Kwon, Judith Beckmann and Dieter Weller. Also offered Die Verkaufte Braut offered Die Verkaufte Braut with Linda Plech, Olive Fred-ricks and Dieter Weller, Dorn-roschen, choreographed by John Neumeier, and Daphnis und Cloe/Der Feuervogel, danced to music by Ravel and Stravinsky. (35 11 51)

Cologne: Opera: Der Rosenkavalier has a strong cast with Mar-garet Marshall, Theresa Ringh-olz, Delores Ziegler and Gunther von Kannen Die Italienerin in Algier has Doris Soffel, Alberto Rinaldi, David Kubler, John del Carlo, and will be conducted by Ralf Weikert. (20 761) Frankfurt: Opera: Le Nozze di

Figaro has fine interpretations by Edith Mathis, Nane Chris-tie, Marianne Rohrholm, Wolfgang Schone and Gile Cach-maille. La Boheme, in Schlondorff's production, stars Adriana Vanelli, Hildegard Heichele and Jonathan Weish. John Cage's production of his two operas, Europeras 1 and 2, is again offered this week. (25

Stattgart: Wuerttembergisches Staatstheater: Das Rheingold, in a concert version conducted by Peter Schneider has Eva Randova, Raili Villakainen, Manfred Jung and Roland Bracht as leads. Also Die Entfuhrung aus dem Serail, con-

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Monday January 4 1988

New Year Resolutions

THIS YEAR will bring substantial challenges to world leaders, some already foreseeable and some unexpected. Here are some suggestions for dealing with the former in such a way as to

some already foreseeable and some unexpected. Here are some suggestions for dealing with the former in such a way as to gain breathing space to deal sensibly with the latter.

You first, Mr Gorbachev: declare victory in Afghanistan and withdraw, making sure all Soviet troops are out before next Christmas when the occupation would enter its 10th year. Delaying withdrawal will not make it less humiliating.

Remember also that managing relations with the West will be child's play compared to the challenge posed by your most determined and powerful adversary: the entrenched apparatchiks. You need allies at home as well as abroad, including the support of a cynical Soviet people. Try to develop the same skill in managing Soviet public opinion that you have displayed in your dealings with the West. You have aleady lost credibility by heaping abuse on Mr Yeltsin, a valued colleague until you attacked him.

Mr Reagan: you have given the US self-confidence through skilful rhetoric and the simultaneous provision of guns and butter. But despite your economic prospectus you have not repealed economics. It is Japanese and German lending, not an American supply-side miracle, that has made it possible to square the circle.

Maybe you consider the credit you have received a reason-

square the circle. Maybe you consider the credit you have received a reason-Maybe you consider the credit you have received a reasonable quid pro quo for the security guarantees that US guns provide to these rich former enemies. Maybe you even welcome the losses imposed on your creditors by the collapse of the dollar. But your power to tax foreigners has turned out to be as limited as your willingness to tax Americans. Americans have to save more if you do not agree to higher taxes

be as limited as your willingness to tax Americans. Americans have to save more. If you do not agree to higher taxes, financial markets are likely to do the job for you.

The US is now a debtor country and is going to go deeper into debt – by \$130bn or so this year. Such a transformation in the external position of a great power has previously occurred only in wars. The resultant truculence of your allies, along with "Irangate," has given you the urge to secure your place in history by reaching spectacular agreements with your Soviet adversary. But your place in history is as secure as it is going to be. Do not feel you can secure it further either by reaching new agreements with Moscow in a hurry, or by

going to be. Do not feel you can secure it further either by reaching new agreements with Moscow in a hurry, or by invading Nicaragua to compensate.

Mr Baker and Mr Greenspan, decide on a level at which you will support the dollar. Indefinite depreciation is one way of escaping the debt burden, but only by destroying US credit and the world's key currency. Depreciation is not a magic formula for adjustment without tears. If you do not care about the value of your currency, others will abandon it and you will be forced to borrow in currencies issued by governments will be forced to borrow in currencies issued by governments that do care.

Clever Soviet leader

As for you, US congressmen, bury the trade bill. While a US negotiating authority for the Uruguay Round might be useful, there is no hurry about it, and it is certainly not worth the rest of what you have in mind. Above all, forget the notion that any trade your constituents dislike should be stopped after labelling it 'unfair'. You will end up calling everything that goes on in a market economy unfair, just as if you were a bunch of socialists.

Meanwhile, US presidential candidates, remember that if elected you will have to live with what you have promised during the campaign, however unwise.

during the campaign, nowever unwise.

EC heads of government, with a clever Soviet leader-bewitching your citizens, an indebted US tempted to reach deals over your heads that promise peace and cuts in the defence hundre an undergraphed delige revention your indusdefence budget, an undervalued dollar ravaging your industry, and a US presidential election as well, life is going to get

very difficult in 1988. Resolve that this will be the last year in which a meeting of 12 heads of government is needed to set the price of wheat. The identification of Western Europe with a massively distorting agricultural policy has become a joke in very bad taste. As Oscar Wilde would have said, the CAP is the unspeakable preserving the uneatable.

So resolve not to come away from the special February summit in Brussels without a comprehensive agreement on agriculture and Community finance. This must put a firm lidon farm spending, provide a significant increase in structural funds for the benefit of the poorer members, and relate the contributions of member states directly to their respective

gross national products.

With that settled, you can turn to serious matters: the abolition of intra-Community frontiers in 1992, and the maintenance of European security in what may be an age of superpower detente and nuclear disarmament, but will certainly be a resid of increasing American unwillingness to tainly be a period of increasing American unwillingness to foot the bill for European defence. This means insisting on priority for correction of the imbalance in conventional weapons in Europe with a dual track palier of materials and a support of the conventional weapons in Europe with a dual track palier of materials and a support of the conventional weapons in Europe with a dual track palier of materials and a support of the conventional weapons in Europe with a dual track palier of materials and a support of the conventional weapons in Europe with a dual track palier of the convention of the co ons in Europe with a dual track policy of modernisation plus negotiation - similar to that which has succeeded so well in the case of INF.

Debased international currency

Whether you like it or not, Mr Kohl, West Germany will play a pivotal role in the reform of the EC, in the promotion of West European growth, in the adjustment of global current account imbalances, and in the formulation of a European security position. The present is one of those times when not to take action in the fear it may prove wrong is far riskier

A similar stricture applies to Japan, Mr Takeshita. Japan's economic adaptability is once again the wonder of the world, but now is the time for decisive leadership in two areas. First, economic adaptability is once again the wonder of the world, but now is the time for decisive leadership in two areas. First, Japan needs to commit itself to free trade by the end of the century. Like Victorian Britain, it would find this means not only cheap food but also the ability to enjoy the revenue accruing from overseas investments. Second, Japan should play a major role in solving the debt crisis, so giving the Japanese the opportunity to invest where long term returns should prove highest and allowing developing countries to benefit from Japan's managerial skills.

All governments, but especially the five permanent members of the UN Security Council, you should ask yourselves what more you can do to persuade Iran to bring the Gulf war to an end — it being understood that persuasion needs to combine pressure (arms embargo, oil boycott) with willingness to help Iran, as a bona fide victim of aggression, find non-violent means of redress and guarantees for the future.

Mrs Thatcher, your achievement is that failure is no longer regarded as the UK's destiny. Your past determination means that the Government has a degree of freedom of manoeuvre in domestic and international affairs that your predecessors have not enjoyed since the 1950s.

have not enjoyed since the 1950s.

At home, avoid frittering away that freedom in irrelevancies or worse, such as the introduction of the Community Charge. Abroad, your priority should be Europe. You should do something about your image on the Continent where you were seen as a narrow-minded nationalist interested only in cash: a De Gaulle without the grandeur. Your image is improving but

has a long way to go
Meanwhile, Mr Lawson, can you manage to prolong an expansion already more than six years old? The UK economy, is growing rapidly and seems likely to go on doing so. There is only one justification for tax cuts: a comprehensive and radical tax reform. If you lack the courage, you should be impring for a significant budget surplus

radical tax reform. If you lack the courage, you should be aiming for a significant budget surplus.

You have been a great proponent of exchange rate management and macroeconomic co-operation. You and your colleagues in the G-7 should learn two lessons from experience and put them into effect in 1988. First, international declarations unconverted by a demonstration of the major tions unsupported by a domestic consensus in the major countries created expectations they cannot satisfy and so have become a debased form of international currency. Second, the US will not care about the external value of its own

currency as long as everyone else cares more. Happy New Year to you all.

Martin Feldstein sees further turmoil in financial markets as the main threat to the US economy

DESPITE the stock market crash, it now looks like the US economy will avoid a recession in 1988. The steps taken by the Federal Reserve to assure liquidity immediately after the stock market decline prevented. liquidity immediately after the stock market decline prevented the more general financial collapse that might otherwise have occurred. In addition, the danger that consumers would be so frightened by images of another 1929 that they would cut back sharply on spending during the critical Christmas season has not materialised.

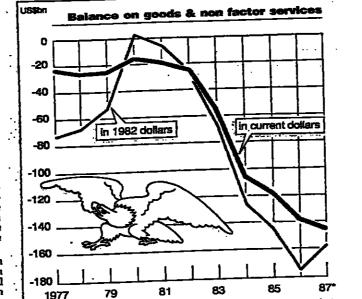
Although the decline in share prices will inevitably slow the growth of both consumption and investment, production and employment are likely to go on expanding in 1988 at a pace that is adequate to prevent any significant rise in unemployment.

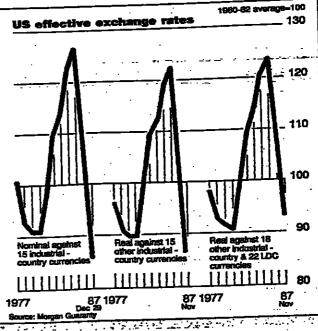
The growth of production in 1988 will exceed the rise in domestic demand as the real volume of exports once again increases more rapidly than the volume of imports. The progress that occurred in 1987 in reducing the real trade defiin reducing the real trade defi-cit remains masked by the speed with which the dollar has continued to fall. While the real trade deficit declined by more than 15 per cent between the third quarter of 1986 and the third quarter of 1987, the falling dollar has left the cur-rent dollar trade deficit \$10bn higher. Although such decep-tive nominal trade statistics are likely to continue in 1987, are likely to continue in 1987, the real trade deficit is expected to shrink by about \$30bn in the next four quarters, pro-viding about one-third of the real GNP growth over the year ahead. 🔈

This decline of the trade def-icit will represent a significant contribution to overall produc-tion growth in the US. Never-theless, the 1988 US merchan-cost producers in the world of dise trade deficit will still margin and the current account deficit will show virtually no improvement from its record 1987 level. The very slow pace at which the trade imbalance is being corrected reflects a correspondingly slow adjustment of relative prices between the US and its trading partners. Although the dollar has fallen by 50 per cent in the past three years, this has been reflected in import prices to reflected in import prices to only a very limited extent.

An important explanation is that foreign producers had built up very substantial profit margins on their US sales dur-ing the period when the dollar was rising in the first half of was rising in the first half of the 1980s. So more recently they could afford not to adjust their prices to the falling value of the dollar, and thus maintain their market shares. But ative price of US imports is likely to continue in 1988 even though foreign companies have now reduced their profit margins back to the levels that pre-One reason for the slow pace

at which foreign prices and the balance of trade are adjusting is the cost structure of the competing companies. Much of competing companies. Much of the US trade deficit is in capital intensive industries in only when they believe that which fixed costs are high relative to the labour and material costs of incremental production of return on comparable for only one quarter of the total inflow of funds of the dollar that the form of occurred only in the form of occurred only in the form of occurred will cause the quity investments and the rate of return on comparable for of the total inflow of funds of that the real value of the dollar that the real value of the





At the mercy of investors

many products even at current exceed \$100bn by a substantial exchange rates, foreign compa-margin and the current nies with excess capacity are

urce: US dept of Comme

prices that maintain their mar-ket shares. Only when the time comes for those foreign producers to replace existing capacity will they be forced by the low dollar to relinquish in the capacity needed to supply those markets. Faced with the worldwide excess capacities that currently prevail, their that currently prevail, their the higher yield on dollar securities. only very slowly.

now reduced their profit mardends that Americans owe on gins back to the levels that pretone investment in vailed before the dollar's sharp vailed before the dollar's sharp rise.

US automatically guarantee an equally large inflow of foreign funds to the US. What foreign funds to the US. What foreign bonds better invest-

ECONOMIC FORECASTS must decline by at least another 5 to 10 per cent to reach a level that would today

eign securities by enough to from abroad that was required to finance the 1987 US current the value of the dollar. If they account deficit. The remaining markets to American compa-nies and only then will Ameri-the demand for dollar securican companies choose to invest ties will dry up until the dollar

That is just what was hap is uncertain is the dollar exchange rate at which those funds will be supplied.

LUBIN TURES TO THE U.S. What the counterparts are the counterparts of the counterparts of the counterparts. During 1987 priments than their American counterparts. During 1987 private investors were therefore net sellers of dollar bonds. Net foreign investment in the US occurred only in the form of selection of the dollar that has occurred only in the form of

three quarters of the capital inflow was financed by foreign central bank purchases of US

balance would not continue to experts estimate that the fundamental trends in American and foreign productivity and tastes that have persisted over many years require the real value of the dollar to fall at least 2 or 3 per cent a year just

Third, even a move to trade balance over the next four years would leave the US with central bank purchases of US government bonds.

Looking ahead to 1988, private investors around the world are likely to remain reluctant to buy dollar securities at current exchange rates. Despite the recent community of the G7 finance ministers essentially reiterating the aborlar bonds paid interest rates of 3 and 4 per cent more than the interest rates paid on German and Japanese bonds, private investors rightly feared that the dollar would fall by more than that differential making the G7 finance ministers dends will have to be paid on interest rates during the common and added to the outstanding stock of foreign investment in the US. Paying formance of the American some of the interest and divisions that differential making the common and added to the outstanding stock of foreign investment in the US. Paying formance of the American some of the interest and divisions that differential making the common and added to the outstanding stock of foreign investment in the US. Paying formance of the American some of the interest and divisions that differential making the common and US have not just a trade balance but a trade surplus. Achieving such a trade surplus greater extent than usual on would require that the dollar's the uncertain and unstable value be lower than the level expectations of financial investors.

between US and foreign rates of inflation. If the US continues to have an inflation rate that is some three percentage points higher than the inflation rates in Japan and Germany, the dollar must decline by an additional 3 per cent a year just to maintain its real value.

Putting all of these pieces together implies that the dollar must fall by at least another 25 per cent over the next three to four years. That would bring the dollar to less than Y100 and DM1.20.

Portfolio investors anticipating such a cumulative decline of the dollar over the next few of the dollar over the next few years will not be willing to buy dollar bonds now when their interest rate exceeds the rates on German and Japanese bonds by only three and four percentage points. The dollar must therefore fall by at least another 10 to 15 per cent in 1988 in order to make an investment in dollar bonds a good bet for private investors. good bet for private investors.

Although the failing dollar Although the failing dollar will weaken demand and production in Europe and Japan, its effect on the pace of US economic activity will basically be positive. In addition to the stimulus that a lower dollar provides to exports and to the replacement of imports by domestically produced goods, the lower dollar will encourage increased investment in additional capacity by American tional capacity by American

The key risk to the American economy in 1988 lies in the possibility of further turmoil in financial markets. Even if the Federal Reserve increases rederal Reserve increases liquidity at a rate that should be adequate to support the expected expansion of aggregate demand, shifts in investors' expectations could cause a sharp rise in long-term interest

Second, the real value of the dollar that would now be consistent with a long-run trade ernment to reduce its borrowing needs substantially in the be consistent with trade bale early 1990s. The falling dollar ance in the future. Trade will inevitably reduce the least 2 or 3 per cent a year just substantially by that time, to maintain a trade balance once it is established.

The maintain are domain to real as not also been decreased substantially by that time, American interest rates will have to rise sharply to reduce the quantity of credit demanded to the available supply.

American economy in the coming year thus rests to a far

The final fundamental influence on the future course of the US National Bureau of the dollar is the difference Economic Research

NEW YORK JANUARY 3 Fun with the the Mayor

"The boom is over," boomed Mayor Ed Koch last week, in his characteristically blunt year-end assessment of the outlook for a confused and chastened New York City's debt ratings machine gun-toting Rambo, that the financial world by upgrading more and Sylvester Stallone's New York City's debt ratings machine gun-toting Rambo, that

York City.
Such is the Mayor's irrepressed editor of Grant's Interest Rate Such is the Mayor's irrepressible enthusiasm for publicity and his love of political punch-ups that he makes New York's most serious economic crisis since the near-bankruptcy of the mid-1970s sound almost like fun. But with the vultures now blackening out the sun above the canyons of Wall Street, the City's dept with local economic peaks than with valleys." The City's debt have tended to coincide more nearly with local economic peaks than with valleys." The City's debt was upgraded into the A category late in 1972, at the top of the last great bull market. Less than three years later, the proud denizens of the Big Apple were suffering the ultimate in civic humiliation.

They were going cap in hand

beginning to shiver as well.
Politicians, dustmen and even
police officers could soon find politicians, dustinen and even numination.

police officers could soon find themselves competing against stockbrokers for jobs behind the wheels of taxis and behind the bars in hamburger restaurants. It Still, there were a few compensions of the state of the state

wheels of taxis and behind the bars in hamburger restaurants. It took the Mayor less than two days to react to the October crash on Wall Street by announcing a freeze on all city hiring. But barring a sudden recovery in the stockmarket, things could get a lot worse.

Financial services have accounted for 25 per cent of the growth in New York's employment and much more of the incremental tax revenues since 1976, the year the city finally began pulling itself out of its last fiscal crisis. That crisis almost produced the largest bond default in US history and exacerbated a collapse in New York property prices which made Black Monday look like a good day in a bull market. Now the most authoritative forecast for the local economy, produced by the city's interent that the content that there were a few compensations for New York became an affordable place to live again for people other than property developers and stock-brokers. Indeed, there are authenticated stories of Park Avenue apartments being given away for nothing by their districted stories of Park Avenue apartments being given away for nothing by their districted stories of Park Avenue apartments being given away for nothing by their districted stories of Park Avenue apartments being given away for nothing by their districted stories of Park Avenue apartments being given away for nothing by their districted stories of Park Avenue apartments being given away for nothing day in a bull market. Now the most authoritative forecast for the local economy, produced by Crain's New York Business magazine, projects 71,000 job losses—equivalent to nearly a third of the whole decade's employment creation—within the next year. It also finds that the city's tax revenue could fall by as much as \$200m.

5300m.
For the contrarians, whose theories were so triumphantly vindicated by the explosion of the stockmarket bubble in October, there was an even more gets underway, spare a thought alarming portent last week for New York's fiscal future. Standard & Poors, the leading US verdict is out on the first. No-one

in the liberal-minded New

Men and Matters

In one scene, the young broker who takes the rap for insider trading asks his interior designer girl friend what she wants out of life. She replies: "A Turner, a perfect diamond, world peace." That raised a modest titter from the audience.

The laughter was more confident in the scene where the same young broker stands on the balcony of his hideous interior-designed apartment in contemplative mood and throws the night air.

on his career as senior partner at Lazard Freres.
Finally, when President Gerald Ford rejected the city's inistent demands for financial assistance, partly on the grounds that Wall Street has never been very popular in the American heartland, the New York Dally News got the chance to create one of history's greatest newspaper headlines.
Ford to City: Drop Dead.

Movie madness

As Presidential election year

more and Sylvester Statione's machine gun-toting Rambo, that erstwhile symbol of macho Reaganite foreign policy, has become the staple diet of stand-up comedians. How will the crash register in the national

York enclave of Greenwich Village, a cinema audience unanimously laughed, hissed and booed a preview of Rambo. IV booed a preview of Ramoo. IV but were conspicuously silent at the end of a showing of Wall Street, the latest offering from the Oscar-winning director of Platoon, an anti-Ramboesque look at Vietnam. Is it that the events of October have not sunk in set? Or were it has to had film? in yet? Or was it just a bad film?
Three snippers may help form a judgment.
In one scene, the young broker

week.

Friedland, now 50, had alsoconded days before he was due to be sentenced for taking kickbacks from a Teamsters union pension fund. During his two years on the run he rose

steadily from 15th to first on the Fed's most wanted list. He had travelled the world first class on a fake passport and money given by friends. Kenya, Venice, Paris, Hong Kong and Singapore were but a few of the places he managed to leave a step or two ahead of law enforcement agents.

But after the first six months, he shook them off altogther. It

he shook them off altogther. It turned out he had been living in three out he had been hing in the Maldives with a companion called Colette Golightly. He bro-kered his hobby into a business which blossomed into a chain of five scuba stores through the

islands.

The locals, growing tired of his outrageous high life style, began to keep an eye on him. His cover was blown by Interpol just as he finally outstayed his welcome. Drawing on a trick he must have learnt from the Mob, he posed for a postcard in his scuba gear feeding, with food held in his mouth, a live shark.

Cop shop

Cop shop

Doing its bit to help balance the trade books, Fuji, Japan's largest commercial television network, has been running an intercontinental shopping-by-satellite programme for almost a year. Prime goods offered discerning consumers back home have included a chateau outside Paria, a classic sports car from Tennessee and bathrobes from New York's Plaza Hotel. In a few weeks time, Fuji will offer an historic piece of New York City itself, a chunk of the old police headquarters. headquarters.
From the Edwardian Baroque

night air.

Lung power

Two years ago, David Friedland, a state senator from New Jersey, pulled on scube diving equipment and dropped into the sea off Grand Bahamas Island. He surfaced io days ago in the Maddive Islands in Indian Ocean.

"He had a lot of lung power, said an FBI agent who helped bring him back to the US last week.

From the "Edwardian Beroque turn-of-the-century building" on the edge of Chinatown, as the edifice will be described to Japanese viewers as meaning to the city's finest had kept the peace.

After the police moved into modern headquarters some years ago, the splendid structure had stood empty until an enterprising developer gambled on turning it into 56 apartments.

Two worth less than \$Im a piece will be offered to Japanese viewers as a warm up for the main event; a three-storey apart-

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Some pleasant surprises ahead

Alan Budd on the prospects for the UK economy

THIS IS clearly a time when economic forecasting is a more than usually hazardous busi-That is the kind of phrase which novice forecasters include in their first draft reports. Their more experienced colleagues cross it out and explain patiently that forecasting is always hazardons and that present difficulties are no greater than usual.

But I am quoting from UK Chancellor Nigel Lawson's speech in the House of Com-mons introducing the Ausuma Statement. If his Treasury officials let him say it we must believe that forecasting is exceptionally difficult at the present time, as indeed it is.

We have had an exceptional post-war collapse of share prices and cannot be sure about its cause and consequences. Nor can we be sure that there are no further falls to come. We have uncertainties about US policy and about the dollar. Oil prices may be about to tumble. In the UK we have been experiencing an excep-tional boom and we cannot tell how long it can be sustained without serious consequences

for inflation.
I believe that 1988 will be a year of steady growth and low inflation. Growth is likely to slow to 3 per cent from the 41/2 per cent experienced in 1987, but that should be a welcome relief from the over-hectic pace of last year. Inflation should stay at its current rate of about 4 per cent, but it is prosperts for inflation that give the greatest cause for concern.

Were it not for the stock market crash there is no doubt what the main story about the British economy would be. The economy has been growing remarkably rapidly. Between the second and third quarters of the year the total economy was growing at an annual rate of well over 7 per cent in real terms. In October manufacturing output was 6 per cent higher than a year earlier.

This rapid growth has been accompanied by a welcome fall in unemployment, but the news that this is the fastest recovery since 1973 should make us extremely nervous. The boom of 1973 was followed by two years of falling output and an acceleration of inflation to over 25 per cent. Should we fear the same consequences

A year ago I wrote: "It is not inflation in 1987 that should give cause for worry, but the prospects for inflation in later years. Britain knows from bitter experience that it is almost impossible to check inflation At that time there was a risk that the government, in its anxiety to win the election, would be over-generous in its Budget and would add to demand at a time when it was growing rapidly of its own

FIVE YEARS ago, speaking at the Annual Dinner of the Society of Business Economists, I got carried away by the approaching Christmas season, as well as the society's annual economic forecasting caper, to make some predictions of my own.
I made it clear that I was

not going to compete with

their economic forecast.
Like the King in Hamlet, I
always view the economy's
future "with one auspicious
and one dropping eye".
Moreover, while I think I know the difference between a 1½ per cent and a 1% per cent spread over Libor, I find it very difficult to distinguish between a "growth recession" from 2% per cent to 21/2 per cent and an "improved growth" from 21/2 per cent to 2% per cent. I, therefore, confined myself to a guess of what we might hear from our Lords and Masters and - if I

I have succumbed again tothe temptation of trying my hand at this sort of extract from an imaginary economic. Old Moore's Almanack, and I leave the readers - if any to guess which of the following are (a) the same, (b) fairly similar, (c) totally different from those of five years ago.

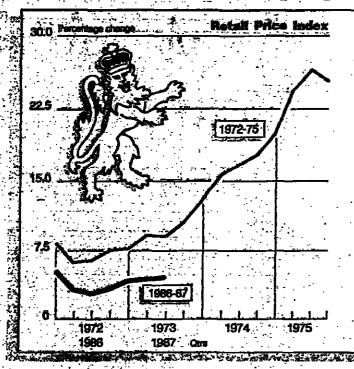
may add without risk of misunderstanding - from

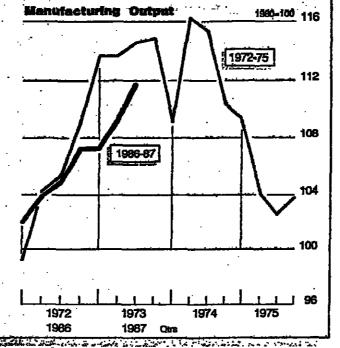
our Mistresses.

1. On January 1 the President of the United States announced that the long awaited and often postponed premiere of the new play, Boom with Balance, was definitely fixed for March 15. ("After the pri-maries had statted" observed an unidentified White House source.) When told by newspapermen that he had said this many times before, he replied "So what!" I am Just being consiste

The Chancellor of the Exchequer, having had a classical education and being aware of the sinister significance of the Ides of March, said that the opening night of the new British Musical had been fixed for April 1. He said: We may be a fortnight behind the Americans, but we have a better plot and better cast, our heroine has a stronger voice and she speaks proper

ments in Basic said that





In the event the Chancelor of fiscal policy, it is true that targets year by year, but its exports this year are no longer of the Exchequer was able to growth has been helped by a figure for the current financial evident. The fall in share be both cautious and generous, rapid growth of credit, but year (as presented with the prices should further help to the was able to cut the stan-there is all the difference Budget) was 7 per cent. At the slow demand. dard rate of income tax by 2p between a credit expansion moment GDP seems to be and to announce a figure for which is financing a self-gener-growing at a rate of more than the Public Sector Borrowing ated private sector recovery Requirement which was and one which has been So far the extra growth is smaller than most people prompted by government appearing in the form of real output rather than prices, but to be even smaller).

Among other things, credit if inflation is to be avoided, the but so far there has been little tilly but it is extremely expento be even smaller).
Demand has roared ahead but so far there has been little sign of accelerating inflation.
Growth in 1987 is likely to be

a remarkable economy, well able to grow rapidly while inflation stays low?

Comparisons with 1973 may be instructive. The Conservative government embarked, in

1972, on a deliberate attempt to shock the economy into

rapid growth through a con-ventional fiscal and monetary expansion. The budget deficit was allowed to rise rapidly and

would strain the productive capacity of the economy nor

world economy was booming.

sive. Also there is no question of seeking to suppress inflation by an incomes policy. Finally we have seen the remarkable Growth in 1987 is likely to be
11% per cent more rapid than I
expected a year ago but inflation will be close to my forecast. Is this simply the calm
before the storm, with an inevitable explosion of inflation
next year, or should we how
recognise that this has become

rate which is consistent with the UK's sustainable growth and a low rate of inflation. The question is whether this will transformation of British happen automatically or industry which has raised our whether the government will sustainable rate of growth. have to act to slow the growth

Is this simply the calm before the storm, or should we now recognise that this has become a remarkable economy, well able to grow rapidly while inflation stays low?

the money supply bounded ahead. The spir to these poli-cies was the rise in unemploy-ment in 1970 and 1971; there was little fear that the growth was there much concern about However, comforting compariinflation. It was hoped that sons with 1973 should not sugrapid growth would actually gest that there is no danger of
reduce inflation, and if that inflation is took a year or two
failed, prices and income for the disastrons consepolices could be introduced, quences to appear last time.

We are the that the consumer spending.

And nobody seemed to notice We need to be sure that the which has partly been that Britain was embarking on Government has both the financed by a fall in the these policies just when the motive and the means to consavings ratio, was unlikely to trol inflation. Its strategy is continue at its recent very

quarters for British adher-ence to the exchange rate

well-known merchant bank who did not wish to be iden-tified said: "This is typical. It will make New York, Zur-

exports."
5. October 1. The Bank of England denied vigorously

However, it has come to light that several members of the staff of the Bank that this condition is due to the Bank will be made aware of this new occupetional hazard.
6. December 1. The Treasury announced that it was

that it had donated its model of the British economy to the Finance Ministry In announcing this devel-opment, the Chancellor said: "This is entirely in line with our policy of privatisa-tion and the encouragement Research and the new ones just started by the institute. for Economic Affairs. We

giving up forecasting and

Treasury."

Lord Roll is president of

evident. The fall in share prices should further help to

We estimate that a fall of 30

per cent in share prices cuts the growth of consumer spend-ing by about ½ per cent over a two year period. But the 1 per cent fall in interest rates since then could well offset that "wealth effect" completely. The more important (and more difficult) question is the reaction of businesses. One would expect the fall in share prices to have at least some effect on capital spending decisions, since the cost of equity funds has risen. If there is a serious loss of confidence the consequences could be much more severe. Surveys reported since the share price collapse, including those conducted by the Confederation of British Industry, suggest that confi-dence has not been dented. On balance I believe that the com-bined effect of the share price collapse and the subsequent cuts in interest rates will slow consumer and investment spending slightly.

Developments in 1988 will depend partly on the world economy and on government policy. The world economy has been growing quite briskly in recent months. Perhaps we have at last seen some of the long-postponed benefits of the

ECONOMIC FORECASTS

was) achieved by the Louvre Accord helped. Though it pro-vided a welcome pause after the exchange rate gyrations of earlier years, the Louvre Accord was bound to fail. It tried to defend a value for the dollar which was too high, given the domestic policy of

Since Black Monday the dol-lar index has fallen by 8.4 per cent, there has been an agreement to cut the US deficit and American interest rates have risen relative to those in the rest of the world. I believe that the policy shifts and the fall in the dollar have produced more favourable conditions for a period of exchange rate stabil-ity. (Though I also recognise that reputable US commentators expect a significant fur-ther fall in the dollar.) There is no reason why the necessary adjustment of US policy should cause a recession there, or any-where else. The United States needs to improve its trade balance and reduce its domestic demand. If we are to avoid a recession we need to see the opposite shift in the rest of the world. Much of the adjustment can come about automatically through lower inflation and an improvement in the terms of trade as the dollar falls. Growth in the OECD economies as a whole may slow slightly compared with 1987 but there is little need to fear a

oil-price fall. I also believe that

the greater exchange rate sta-

bility (precarious though it

In the UK, government policy has been concerned with keeping monetary growth (as measured by MO) within its target range of 2 to 6 per cent while keeping sterling below onny will be growing less rap-

GDP average estimate

Fixed investment

Retail Prices 4th qtr

Unemployment million

Consumers expenditure

exchange through the DM3 is likely to fall below the barrier while monetary growth has been accelerating. The fall growth of imports. Some further deterioration in the balance of payments is likely but it should readily be financed in oil prices has removed some of the pressure from the by capital inflows. exchange rate and the govern-ment will no doubt accept Some find it difficult to some further decline in the believe that we can grow faster than the rest of the world rate if oil prices fall further.

In his next Budget Mr Lawson is likely to report that the Public Sector Borrowing Requirement for 1987-8 was zero, or even a surplus. If the past is any guide, his PSBR for 1988-9 will be no larger than the announced figure for 1987-8. If by Budget time he takes a more cautious view of 1988 than was presented in the is a sharp fall in oil prices, he might, exceptionally, allow it to rise to \$2bn. Our calculations suggest that the Chancel-lor can cut the standard rate of tax by 2p and still have a zero PSBR in 1988-9.

Against that background I would not expect the pattern of demand in 1988 to be greatly different from that in 1987. Real incomes are likely to rise by slightly more than 4 per cent and consumer spending will rise by about 4 per cent. investment rose strongly in mid-1987 and I expect growth to resume this year in response to the increasing evidence of capacity shortages

omy will be growing less rapidly and we shall, at best, be that the two policies might maintaining our competitive-conflict; confidence in sterling ness after last year's rise in the has threatened to push the exchange rate. Export growth

afford them. If those rates continue against a slow growth of output and a fairly stable exchange rate, the conse-quence is likely to be higher unemployment rather than higher inflation. An important difference between now and the early 1970s is that at that time employees were trying to gain real increases in pay from employers that could not afford them. As a result rapid increases in pay and an accom-odating monetary policy led inevitably to inflation. This time companies can afford the pay increases but they do not guarantee there will be jobs. Finally, in our general assessment of 1988 we must remember that each year the British economy manages to exceed the expectations of all but the most optimistic of our forecast-ers. There is something happening out there which the conventional approach seems to miss. We can expect further pleasant surprises in 1988. -2.5

without a balance of payments

crisis; but if our growth is based on more favourable sup-

ply conditions then we can cer-

tainly do so. If the economy

grows by 3 per cent we cannot expect the recent rapid falls in

unemployment to continue, but the signs of skilled labour shortages suggest that we need

supply-side solutions rather than a rapid growth of demand

to bring unemployment down

To return to the threat of inflation. The underlying growth of earnings for the whole economy is now estimated to be 8% per cent; in manufacturing it is 8 per cent. Those growth rates partly reflect increased overtime and the widespread rise of produc-

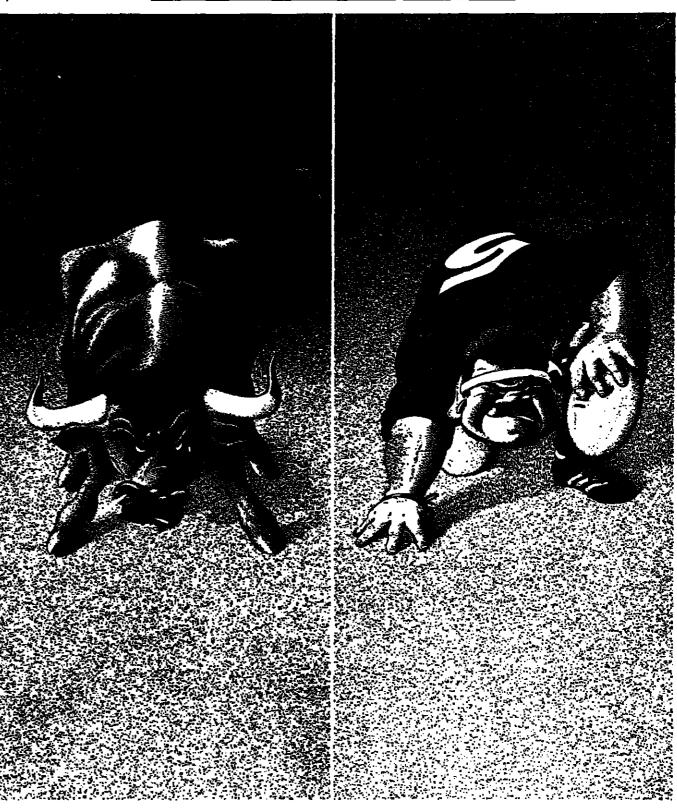
the widespread rise of produc-

tivity payments; in that sense industry has been able to

The author is Professor of Economics and director of the Centre for Economic Fore-casting at the London Business School.

Madrid and Auckland. That International's newest destinations.

Balance of Payments 25n -1.5



Madrid, Spain. City of sunshine, cool breezes and romance. Of flamenco dancers, singers and guitarists. Of toreadors and picadors. And now Thai opens its doors to this picturesque city. Flights commence December 5 from Bangkok via Rome every Saturday and Monday. Returning to Bangkok via Rome every Sunday and Tuesday. Auckland, New Zealand. The perfect starting-off point for a holiday to remember. Skiing, boating, fishing, touring in the land of the famous All Blacks Rugby team. New Zealand has it all. Now Thai touches down there December 6, direct from Bangkok (leaves Saturdays), returns every Sunday.

This time the rapid growth based on monitoring and con-rapid pace. Also the favourable has occurred despite (or per-trolling the growth of Money conditions which helped pro-haps because of) a tightening GDP. It does not set explicit duce a strong growth of **ECONOMIC FORECASTS**

What's a few percentage points?

A lighter view by Eric Roll

new play, he said: "We don't believe in these catchy short titles. Seewhat trouble some people get into when trying to find a short name," he added, with a chuckle. "Ours will be called Continued Steady Growth (though maybe less than last year), no budget deficit, lower taxes but maybe some fóreign deficit. Andrew Lloyd-Webber is already busy composing the

2. March 1. In a strongly worded statement the Bank. for International Settlements in Basic urged the commercial banks of the world to "do some fresh sovereign lending, particu-larly to the newly industrialised countries of Latin' America; otherwise they. might provoke the very col-lapse which they fear. One spokesman, who did not wish to be named, said. There is no doubt that inrecent years the banks have behaved very foolishly: we must now make sure that they go on behaving very foolishly."

3. June 1. In a strongly. worded statement, the Bank for International Settle"Undoubtedly the quality of the assets of many commer-cial banks has seriously deteriorated. They must make more provisions and apply more rigorous pru-dential standards." When asked how the banks were supposed to reconcile this statement with one made three months earlier, a spokesman said "That is their funeral."

4. August 1. The British
Tressury denied vigorously
that Her Majesty's Government had any policy inregard to exchange rates.
"What are markets for" said

a Treasury spokesman.
However, a strong rumour persists in the City that the Government is shortly to introduce legislation ban-ning all electronic equip-ment, including pocket cal-culators, in foreign exchange dealing rooms, and imposing the compul-sory use of the abacus. This, it is said, would slow down foreign exchange dealings sufficiently to make exchange rates less

A source close to No.10 added: "It is hoped that it will also put a stop to the constant nagging from some

mechanism of the European Monetary System. With the abacus there can be no question of being tied to a deflationary or an inflation ary D-mark." A spokesman for a

ich, Frankfurt, Singapore, Hong Kong, Tokyo and even-Paris more important than they already are. It will put hard working and well-paid foreign exchange dealers in London out of work, and it will reduce our invisible

any suggestion that it had any policy in regard to interest rates. "What are markets for?" said an anonymous spokesman.

have received medical treat-ment for a painful condition of the right elbow. No organic reason has been dis-covered and doctors believe the increasing practice of "nudging" money markets. A Labour MP is to ask the Chancellor whether future entrants into the service of

of a Central African state. of competition. From now on we shall rely on the fore-casts of the National Institute of Economic and Social shall be better served and the modest fee of \$5 million per annum which we will pay to each of them will be-largely made up by savings in staff. Henceforth we

shall be a slimmer and fitter

FINANCIAL TIMES

Monday January 4 1988



Janet Bush on Wall Street

Forecasters emerge as

agnostics

AFTER ALL that, the Dow Jones industrial average ended the year 2.3 per cent higher than it started, a bland little number on the face of it. But 1987 has changed a lot of things. It was the year that yuppie bashing became a national sport. Newsweek declared the 1980s over with a front page headline: "Greed goes out of style." It predicted in the days to come with the total country's innovative loan-for-bond exchange offer. Mexico plans to issue up to \$10bn of new 20-year bonds, of which principal repayment will be backed by its holdings of US government securities, and to cancel in exchange a larger amount of existing bank loans. The exact amount of debt retired will depend on the bids which banks submit, but could in theory be as much as \$20bn based on the nearly 50 per cent discount to face value at which Mexican loans are traded in the the face of it. But 1987 has changed a lot of things. It was the year that yuppie bashing became a national sport. Newsweek declared the 1980s over with a front page headline: "Greed goes out of style." It predicted: "In the days to come we will calm down, lighten up, gain weight, stay home more and pay as we go." And all because the stock market crashed in October?" as we go." And all because the stock market crashed in October Americans ended 1987 reading a book called The Bonfire of the Vanities (Tom Wolfe's latest)

and queueing up to see a prosel-tysing hymn against capitalism Oliver Stone's film Wall Street. Who will forget the clip of Stone's wayward young broker anti-hero gazing across the lights of Manhattan from his Upper East Side apartment and musing

East Side apartment and musing on one of life's great questions: "Who am !?" The audience predictably laughed.

It was the year that risk-taking lost its glamour and brokers marketing strategies changed overnight. Securities firm Prudential Bache ran full page advertisements with the slogan "Rock Solid Market Wise."

Like all years. 1987 came up

Like all years, 1987 came up with a new strain of jokes. In this case, most of the best humour was at the expense of Wall Street. Did you hear about the merger between Shearson Lehman and PaineWebber?The new firm will be called Shear Paine. (Shearson Lehman, of course, linked up with E.F. Hut-ton with the loss of thousands of

jobs. PaineWebber went a different

ert Prechter, the prominent Elliot Wave theorist who became a household name in 1987 and exerted such power over expec-tations in the run-up to and immediate aftermath of Black Monday, admitted his timing had

been out. He had forecast a 3,600 top to 1988. He wasn't by any means the only one. Merrill Lynch, for example, was going for 3,000 on the Dow by the second half of this year.

Even the bears underestimated

There is a growing consensus that, without the cushion of reserves, Argentina will be linterest payments will rise this forced into a default sooner or year by \$150m to a forecast later.

Even the bears underestimated

the size of the market fall which was to come. In July Mr Michael Metz, managing director of Oppenheimer & Co, predicted a huge self-off of perhaps 300 points compressed into a few

Who could have expected a 508 point fall in one day? Economists have been markedly humble in forecasting 1988. It is quite refreshing to read so many expressions of complete agnosticism from the forecasting com-

munity.
Mr Ned Davis, publisher of an Mr Ned Davis, publisher of an investment newsletter, is delightfully candid. At the beginning of 1987, he forecast a strong stocks rally during the first half of the year followed by a strong decline in October and November.

The problem was, as Mr Davis puts it, that he did not take his own forecast seriously enough.

puts it, that he did not take his own forecast seriously enough and did not cut back his position sharply enough, soon enough.

I know if we had stressed our 1987 forecast more forcefully, I would have gotten a lot more headlines, publicity and commissions, and I would probably be the leading guru on Wall Street right now.

right now.

But what it comes down to is But what it comes down to is that I'd rather make steady money each year than be considered a genius forecaster one year and a burn the next year is his enitanh for 1987.

Procurs by Assusy A

NYSE, that regulatory authority reforms, writes Political Corre-over all US financial markets be consolidated under one regula The Prime Minister's personal tory body - the Securities and Exchange Commission - and that margin and capital require-ments for trading in futures should be raised.

Publication of the report

immediately provoked criticism particularly in Chicago, the world centre of options and futures trading, which could stand to lose business if indices were to be traded on the floor in New York.

The report on the crash by the Administration-sponsored Brady Commission, which was due originally to be published today, has been delayed until Friday.

The financial community will have to well until the formula will be to the second or t have to wait until then for any signs of a political backlash against Wall Street and its satel-

lites.

The political response is crucial for, as 1987 was the year of the crash, 1988 is the year of the presidential election. No Democrat or Republican can afford to side with the yuppies of Wall side with the yuppies of Wall Street against America's 50m (voting) private investors.

Mexico creditors study bond offer

MEXICO'S international bank creditors have begun complex calculations as they await the receipt this week of documenta-tion inviting them to take part in the country's innovative loan-

Mexican loans are traded in the

secondary market.

For most banks, the decision on whether to bid will be determined largely by the treatment likely to be given to the transaction by accountants and tax authorities in their respective

countries.

Morgan Guaranty, Mexico's agent bank, says it has obtained approval from both regulators and accountants that US banks exchanging some of their Mexican exposure will not have to

Mexico's loan-for -bond exchange offer presents the international banks with a dilemma as they begin the calculations, writes Alexander Nicoll in London

Bankers' guesses on the likely level of bids centre around 70 per cent of face value of the existing debt, largely because most banks have taken loan loss provisions of about 30 per cent. This would be considerably above the 52 cents on the dollar at which Mexican debt has been trading in the secondary market.

Milbourn. The offer presents banks with a dilemma. If they put in a successful bid, they would have to banks are required to give their approval if the offer is to protect the discount implied by their bid. They will be asked to waive clauses which prevent would receive a security which, although US-backed, tradeable, and paying a higher interest rate, would also be likely to trade at a discount because interaction.

Milbourn. The offer presents banks with a dilemma. If they put in a successful bid, they would have to banks are required to give their approval if the offer is to proceed. They will be asked to waive clauses which prevent would receive a security which.

Morgan Guaranty made clear last week, however, that banks are required to give their approval if the offer is to proceed. They will be asked to waive clauses which prevent would receive a security which, although US-backed, tradeable, and paying a higher interest rate, would also be likely to trade at a discount because interactions. existing debt, largely because most banks have taken loan loss at which Mexican debt has been trading in the secondary market. Mr Michael Milbourn, a direc-

don interbank offered rate – it is now paying 8th, per cent interest or \$1.26bn per year.

On the new \$10bn of debt, it would pay 9th per cent or \$982m the per year because it is cost would be 11.22 per cent or \$1.12bn per year because it is doing without interest on the \$2bn of reserves which it is paying to the US Treasury as part of the transaction, according to Mr Milbourn.

bonds are issued.

The calculation is based on Mexico buying old debt at 70 cents and issuing the new securities at par. If it did so, it would retire \$14.3bn of debt on which assuming an 8 per cent London interbank offered rate – it is now paying 8% per cent interest or \$1.26bn per year.

On the new \$10bn of debt, it tors since 1982, they would also be taking on securities with a longer maturity even than existing rescheduled Mexican debt.

The alternative – forced on some banks because they would retire to realise losses – would be to hold on to existing loans in the hope that Mexico's moves will help to return the country to creditworthiness.

Meanwhile, banks holding a total of more than 50 per cent of

Mr Michael Milbourn, a direct est payments are not US-backed. existing loans. The new bonds tor of Standard Chartered Merchant Bank who heads its asset trading group, calculates that Mexico may save some \$137m a repeatedly from existing creditable are interested to decide senter that the same to decide the senter that save set interested senter that existing loans. The new bonds would rank equally with existing chant forced to decide the senter that the same that the same to decide the senter that the same to decide the senter that the same to decide the senter that the same to decide the same to decide the same to decide the same to decide the same that the

Fears of Argentine default rise

Argentina's prospects for coping with its foreign debt payments, amid fears that the figures sim-

ply will not tally.

A mission from the International Monetary Fund is due in Buenos Aires this week to review progress under the existing \$1.425bn stand-by loan agree-

ment.
The IMF team will hear a swelling chorus of claims that some sort of moratorium on debt The claims come only weeks route, bolstering its capital by after Argentina won a waiver of allowing Yasuda Life, the Japa conditions which it was to have nese life assurance company, to met in order to receive its last take a major stake). take a major stake).

It was also the year that economists were humiliated. Mr Robunder the \$1,95bn refinancing deal reached last year. Argentina's trade surplus is expected to increase this year after a disastrous slide in 1987 - but so is the cost of servicing the \$52bn

Latest forecasts in government circles claim the surplus will

A chorus of claims that a debt moratorium is inevitable will greet the IMF team as it arrives in the Argentine capital, reports our

Buenos Aires

Correspondent

bankers and officials agree Argentina will not be able to draw heavily on foreign exchange reserves, as it did in 1987. Up to 80 per cent of inter-est payments last year is said to Latest forecasts in government have been met from freely avail-circles claim the surplus will able reserves, which are now move up to \$2.75bn. However, reported to be down to a few bankers point out the 1987 figure hundred million dollars at most.

Official efforts to curb the bud-

mated at \$70bn. Instead, it is thought to have equalled 4.3 percent in the final quarter and about 6 per cent in the second half, giving a full-year figure of over 7 per cent against an original target of 4 per cent.

Government bills to raise more than \$2bn in acceptance or of the contract of the con

than \$2bn in a combination of forced savings - a system oblig-ing companies and individuals to lend the government funds — taxes on cheques and legal docu-ments, and increases of up to 29 per cent on petrol duties were rushed through the lower cham-ber of Congress just before Christmas

However, these have been ambushed by the opposition Per-onists in the Senate. The Peronists have made their support for tax measures conditional on more funds for the provinces. President Raul Alfonsin has

the Peronists, beholden to their allies among Argentina's autocratic right-wing union bosses also want new labour laws.

ate importance to the IMF experts as they review the Government's performance — are stuck in the Senate.

The deficit was supposed to fall in the second half of 1987 to no more than 2 per cent of GDP, whose total is officially estimated at \$70bn. Instead, it is thought to have equalled 4.3 pernomic front. The only bill to

clear Congress so far is a return to free collective bargaining -long a key demand of the The Government ushered in 1988 with a gradual move out of the pay and prices freeze imposed in an emergency package as monthly price inflation hit almost 20 per cent last October. Officials claim inflation is

now down to about 5 per cent a month and they plan to hold it to 4 per cent this month. However, the thaw, the deficit

THE LEX COLUMN

Searching for a bear market

Was the Crash of 87 just the inevitable correction of an unprecedentedly long and vigorous bull market, or did it mark the beginning of a prolonged bear market for worldwide equi-ties? At this stage all that can be said with any degree of certainty is that almost three months after the collapse, the patient remains in a state of deep shock and is in a state of deep shock and is continuing to exhibit a number of worrying symptoms. How these symptoms are treated over the coming months will provide the best clues to the direction of equity and bond prices in 1988 and beyond

and beyond.

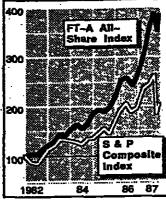
The most visible symptom of the world's worrying financial condition is the US dollar, which begins the new year in much the same way as it began 1987 — very weak, it has been falling for nearly three years and has more than halved in value against the currences of the world's two currencies of the world's two other economic super-powers — Japan and West Germany. But despite this massive devaluation and recent heavy intervention by leading central banks, the US currency continues to slide, raising fears of renewed inflationary pressures in the US and increasing the danger of a severe recession in the rest of the world.

Unease The US economy, which is

entering the sixth year of an unusually long period of economic expansion, has been relying increasingly heavily on overseas investors to finance its chronic budget and trade deficits. Indeed, the recent upheav-als in the world's financial markets reflect a growing loss of confidence by oversess investors in the ability of US policymakers to come to terms with the coun-try's deep-seated economic problems. US consumers are spending too much, saving too little and relying on foreign investors to pick up the tab. If confidence is to return to the financial mar-kets, the US needs to demon-However, the thaw, the deficit and faltering economic growth are already threatened by the promised removal of public sector wage controls. Mr Alfonsin is still waiting for the second half of the economic policy he planned when the emergency package was launched almost three months ago.

to return to see interest the US needs to demonstrate that it can solve its problems without pushing the world into a recession, or even a slump. Its ability to provide a convincing answer is complicated by the fact that 1988 is a Presidential election year and there is a danger that Washington will opt for letting the dollar slide further, rather than risk precipitating a rather than risk precipitating a looked upon as a sensitive indirecession by taking measures to cator of trouble over the horizon, support its currency. A favourite they have a habit of forecasting doomsday scenario involves a more recessions than in fact runaway flight out of the dollar occur. A recession, tends to be forcing a sharp rise in US interest rates, which in turn precipitates a severe recession.

These sorts of fears explain why the world's equity markets enter 1988 in such a nervous mood. The record \$17.6bn US trade deficit for October looked



terrible, but nevertheless there are underlying signs that the US is beginning to make substantial progress in repairing its chronic trade imbalance. In the first nine months of 1987, for example, export volume rose at an annual rate of 18 per cent, and there must be a very good chance that the dollar will bottom out during 1988, which should bolster overseas confidence in holding US paper at some stage. The other good news is that the 37.6 per cent devaluation of the dollar, on a trade-weighted basis, over the a trade-weighted basis, over the last three years has done more to help US industry than any pro-tectionist measures the US Con-gress can pass and has reduced the possibility of a damaging trade war.

Slower growth

The US Administration, at least, believes that it has done what is necessary to put its house in order. It is forecasting that economic growth will slow from around 3.25 per cent in 1987 to 2.4 per cent in the cur-rent year, and the OECD is fore-casting that growth of the major industrialised countries this year will slip by a modest half per-centage point to 2.25 per cent. The strength of the price of cop-per and other industrial raw The strength of the price of copper and other industrial raw materials in recent months adds to the picture of a world economy which remains surprisingly resilient.

cent rise in US profits this year, a 20 per cent increase in Japan, a 12 per cent rise in the UK and a 5 per cent rise in West Germany. However, forecasting in current However, forecasting in current conditions is even more hazardous than usual. Last October's crash – the largest and most extensive fall in stock market values – wiped an estimated \$1.7 trillion (\$1,700bn) off the world's wealth, and no one has any real idea how this will affect economic growth and business confidence. The next few months should begin to give the first clues of the scale of any cutback in spending plans by both consumers and industry in the aftermath of the crash, and will indicate whether the world's stock markets have over-reacted to the prospect of recession.

prospect of recession.

The London and New York equity markets have both fallen by just under 30 per cent since by just under 30 per cent since their respective peaks in July and August, while Tokyo is down by 19 per cent from its mid-October record. The average post-war decline in a US bear market is 30 per cent, and it could be argued that the world's stock markets have just experi-enced the shortest and sharpest bear market in recent history. bear market in recent history. The yield on the FT All-share index has risen from 2.8 per cent in mid-July to 4.3 per cent, and the ratio between the yield on equities and bonds, which had got badly out of line in the summer, has returned to more nor-mal levels in London, if not New

Average value

After the recent stock market After the recent stock market fall, equities appear neither particularly cheap nor expensive by historical standards. Goldman Sachs, for example, estimates that the world's equity markets, excluding Japan which is a law unto itself, are selling on about 12 times prospective earnings, which is in line with the average for the last five years. However. for the last five years. However, reference to average levels of valuation will not answer the question of whether a major bear silient. dramatically change the outlook
While world stock markets are for share prices. The big queslooked upon as a sensitive indi-cator of trouble over the horizon, markets is whether the US has done enough to solve its trade deficit, and halt the dollar's occur. A recession, tends to be slide, or whether the problems defined as two consecutive quar-will only be solved by the onset ters of a contraction in economic of a major US recession, the growth. On this basis official effects of which will ripple forecasts give no indication of a around the world. The answer, recession in 1988 or 1989 and which will not be available for corporate profit growth remains several months, will determine strong. Salomon Brothers, for whether we are heading for a example, is forecasting a 16 per major bear market.

10

money each year than be considered a genius forecaster one year and a bum the next year is his epitaph for 1987.

The last week of the year saw the publication of the first major report on the causes and implications of the October crash, marking what will no doubt be only the first stage in a far-reaching philosophical backlash to the heady days of the bull market. Sponsored by the New York Stock Exchange, the report proposed that stock indices should be traded on the floor of the NYSE, that regulatory authority

milestone was, however, greeted by criticism as well as praise. In oy thickism as wen as praise. In a television interview scheduled to be broadcast tonight, Sir John Nott, former Defence Secretary, said she had regularly shown herself capable of "going over and authoritarian. But, he conceded, her achieve-

ments were immense and that she might be recognised as one of the greatest prime ministers since the Second World War.

She said that, when she took office in 1979, Britain suffered

from the "British disease," but now the world believed that Britain had found a cure and wanted to learn from its achievements. She pledged to push through important reforms and identified three important tasks: to extend the "benefits" of Con-servative Government to more people, to play a leading role in world peacemaking and to restore what she described as traditional British standards. African agenda: Page 3

Saudi Arabia to tax expatriate workers

have to pay income tax of above that will between 5 per cent and 30 per mum 30 per cent. cent, depending upon their ear.

The income tax

Consequently some 30,000 homes, company cars, free educations, face large salary cuts.

The British are already suffering because their rival-denominated salaries are collapsing along with the dollar. The rival is linked to the dollar because are fare will be included in one a Bandadash

come a projected SR38bn (\$10bn) budget deficit.

The Saudis unveiled an SR141.2bn budget on December 30, of which SR8bn will be drawn from financial reserves, and SR30bn financed through borrowed 20 years ago. Under the new borrowing plan, treasury bonds will be issued on a project basis.

The net affect of the income tax could be an exodus of highly trained westerners — doctors, lawyers and other professionals in Riyadh. Some believe this may be a deliberate intention since it would free high-level jobs for more Saudis and make Saudi workers less expensive to him.

Rumours that income tax was to be reintroduced first started when the Kingdom cancelled general organization of social.

out warning, was not mentioned in the budget as a revenue earnin the budget as a revenue earning device and may explain why
the Saudis felt free to plan oil
revenues that presupposed close
to \$20-a-barrel provided they
stayed within their 4.3m-barrela-day Opec quota.

SAUDI ARABIA, facing its first government borrowing in 20 (\$1,600) or less a year will be years, is to reimpose an expatricate who earn SR6,000 years, is to reimpose an expatricate who earn SR6,000 as year will pay 5 per-Under the measure, which cent Those with an annual salbecomes effective this month ary of up to SR36,000 will pay 10 and without warning, expairing per cent; up to SR 66,000 will workers in the Kingdon will pay 20 per cent; those earning have to pay income tax of above that will pay the maximum 30 per cent.

The income tax, according to This is the same tax that was levied in the early 1970s against expatriates. Saudis will not be taxed.

The income tax, according to the Council of Ministers' Royal the Council of Ministers'

the Kingdom's oil exports are paid for in dollars.

The new tax is expected to generate sufficient funds to overcome a projected SR38bn (\$10bn) budget deficit.

The Saudis unveiled to tax could be tax lawyers and other professionals in Riyadh. Some believe this may be a deliberate intention

to be reintroduced first started when the Kingdom cancelled general organization of social insurance contributions for foreign workers early in 1987. Employers paid 8 per cent, and employees 5 per cent for the pension scheme. The Government said it would reimburse the money, but has not done so far.

Continued from Page 1 Israeli air raids kill 19

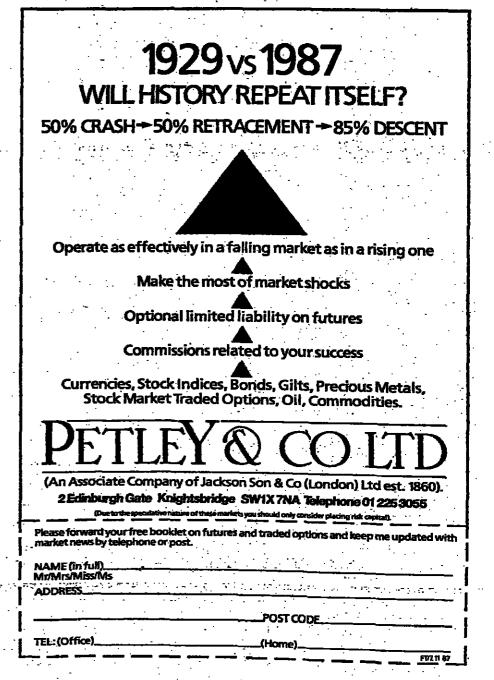
between the Lebanese Army and defection from Christian areas to Mr Walid Jumblat's Druze militia a valley near the coastal village and coincided with a naval of Damour focused on grievances blockade against Druze militia against the Christian-dominated ports imposed by the Lebanese army.

Army in the wake of the defection of a lone pilot in one of its religious discrimination inside French-made Gazelle helicopter and the still unresolved assassination of Mr Rashid Karami, the former the return of the helicopter and Sumi Moslem Prime Minister. in

The Lebanese Army demanded of Mr Rashid Karami, the former the return of the helicopter and slapped a sea and air-enforced blockade of the illegal ports of Khaldeh and Jiyeh run by Druze and Moslem militias opposed to Mr Karami was killed when a bomb planted under his seat ripped through a Lebanese Army Mr Amin Gemayel, the country's helicopter that had taken off Christian Lebanese President.

The Druze helicopter pilot's tian heartland north of Belrut.

between the Lebanese Army and defection from Christian areas to





Although there are signs that Britain is within reach of a sustained turnaround in 📲 industrial performance,

issues such as the fall in equity markets, anxieties about the dollar. and the strength of sterling are tempering optimism in the short term, as Terry Dodsworth, Industrial Editor, reports here.

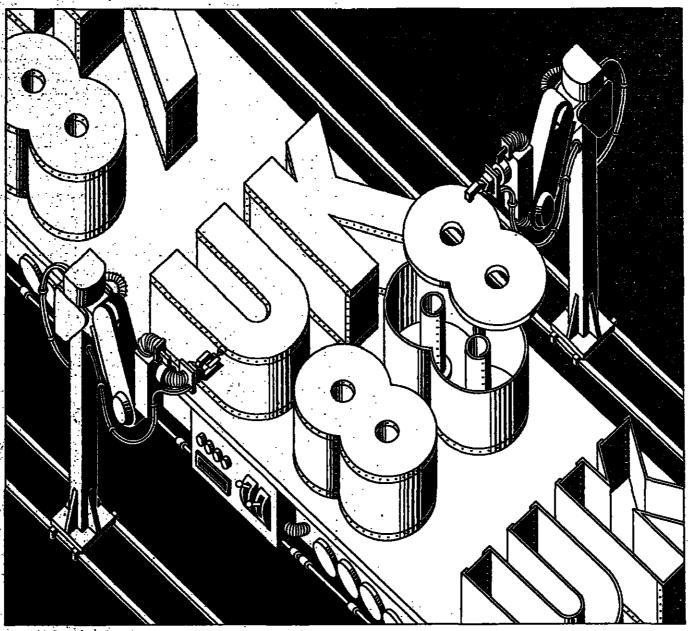
Output rising strongly

BRITISH INDUSTRY is today quoted companies in the corpo-reaping the fruits of the bleak rate model of the UK run by period of recession and recon-brokers Hoare Govett showed a

What you are looking at is the

on some impressive corporate are working at, or very close to fewer neople on the factory statistics. Profits in the UK today their notional capacity limits at floor, the UK has risen near to are high in absolute terms, and present—so much so that fears of the top of the league in producall the more so since they are not new inflationary pressures in the tivity increase in the OECD area.

almost unnoticed in the last Mr Butcher's optimism is built year. Many British companies



reaping the fruits of the bleak rate model of the UK run by period of recession and reconstruction in the early 1980s. The slump in demand that dominated the economy at that time has turned into steady growth, and this expansion, coupled with the more cost-conscious and tightly controlled approach adopted by many companies after the years of blood-letting, have proved a potent mix for the corporate sector. Reviewing this happy state of affairs a few weeks ago, Mr John Butcher, the Industry Minister, reached that Britain was within reach of a dramatic, sustained turnaround in its industrial performance. British companies had radically improved their rate of return on capital employed, he mode-borrowed. To What you are looking at is the early stages of what could govett. To What you are looking at is the early stages of what could govett. To We companies wanted to gear up to the 39 per cent level industrial front, however, fall curies achieve in productivity improvements. To Butcher, the Industry Minister, the provided the executive of Howson Algraphy, the Leeds-based lithographic plate manufacturer which belongs to the deep capecity could raise \$200m worth of debt, says Mr Bob Cowell, of Hoare achieved in 1979, despite the current boom. But the factory cloopet. **UK Industrial Prospects**

What you are looking at is the says at the stages of what could Govett.

The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection. The main short-term issues the type achieved in the Federal cash registers is a boom in protection.

gear up to the 30 per cent lever cuts of a few years ago, manuthey were last at in 1981; they facturing output has still not quite into this sunny picture,
could raise \$20bn worth of debt, reached the absolute levels indeed, some rather fierce storm
says Mr Bob Cowell, of Hoare achieved in 1979, despite the curclouds have rolled over the horirent boom. But the factory clozon in the last few weeks.

ary effect in terms of productive scored in the sudden plunge in ity: as output rises strongly with equity markets around the world equity markets around the world the US currency. at the end of October. These fewer people on the factory at the end of October. These floor, the UK has risen near to share prices falls have raised a mixture of uncertainties - ques-tions not only about the sustain-

economy. Some of the possible effects on companies are:

■ Many financial groups will be under unfamiliar pressure after a period of high profitability as they cope with more difficult trading conditions.

Aggressive takeover-oriented companies will find acquisitions more difficult to finance, even if the price of their targets has

Companies that have invested heavily in the US over the last few years will see a decline in their translated dollar earnings because of the fall in

British companies is likely to slacken off, quite apart from the currency issue, because of slow-ing demand in the US. Some being eroded by the excessive economy began to emerge in the This has been achieved, more ability of present equity markets, ing demand in the US. Some weaknesses in British companies at present lies in the low level of new overseas competitors will industry in the half year to June, the We are working a foundation of a few years ago.

Second, it hopes that these market at present lies in the low level of new overseas competitors will industry of the stock market decline on plant and equip serve as role models to British nothing.

the overall wealth of US citizens could have quite a serious

impact on sales next year.

Not all parts of the UK corporate sector are likely to be affected by these problems. Construction, for example, which has been one of the strongest growth areas this year, is set to enjoy another 12 months of healthy activity in the UK in

1988. But even in insulated areas like this, the possibility of fur-ther share price falls is unsettl-ing and for the economy as a whole it raises an issue which goes to the heart of Britain's

ability to compete in the future. This is the question of the confidence to invest in longer-term growth. One of the most glaring weaknesses in British companies at present lies in the low level of at present lies in the low level of the most glaring tronics and machine tools. Have recently had in the stock market and in exchange rates, at present lies in the low level of the market and in exchange rates, at present lies in the low level of the market and in exchange rates, at present lies in the low level of the market and in exchange rates, at present lies in the low level of the market and in exchange rates, at present lies in the low level of the most glaring the market and in exchange rates.

CONTENTS

Economic outlook: It is harder now to bet against the pessimists. Industrial investment: stock market's fall upsets industry's Takeover trends: cash is king in a

Key industrial sectors: the motor industry; aerospace; and the

The steel industry; shipbuilding telecommunications; and nformation technology.

Electronic components sector: domestic appli engineering.

chemicals industry: pharmaceuticals; textiles; the shoe industry; agriculture.

Food production and retailing: brewing and distilling sector.

The advertising industry: companies to watch in several sectors: General Electric Commonwealth Holdings; Woolworths; T and N.

Statistics and charts used in this survey include those from the latest Cambridge Econometrics study: "Industry and the British Economy to the Year 2000," available from 21, St Andrews St., Cambridge,CB2 3AX.

□ FT graphics by Robert Hutchison and Leighton Morris; design by Frances Trowsdale; page one illustration by Grundy Northedge.

ment over the recent past. The capacity constraints that have emerged this year appear to have done little as yet to change the environment: indeed, forecasts of quite modest growth in spending next year are now being trimmed back to between 1.5 per cent and 3 per cent for manufac-turing companies.

As one illustration of the problem, machine tool sales in the UK have actually fallen this year. Foreign machine tool producers report that a few leading companies are at last beginning to show an interest in larger-scale orders, but they also say they are shocked by the age of the plant in many British factories.

puans for the future. This is the most tricky element of the policy, since many elements of the trading system fall outside the control of any individual Government.

Significant expansion programmes in British companies are few and far between - proj-

difficult to escape the conclusion dollar reviving uneasy memories that the rising sales of British goods derive less from investment in new products than from early 1980s? ment in new products than from competitive prices, stemming from relatively low wages, and a currency level which, until recently at least, has been com-

petitively priced.
The UK Government's strategy for dealing with this investment problem - the present, hands-off administration refuses to talk about a "policy" - seems to be composed of three separate ele-

with new activities in machine tools, motor cars, consumer elec-

companies, bringing with them some of the best practices from their own countries. These can feed through into the supplier industries and their direct UK competitors, as well as into UK company management as indi-viduals trained by the multina-tionals move to British groups.

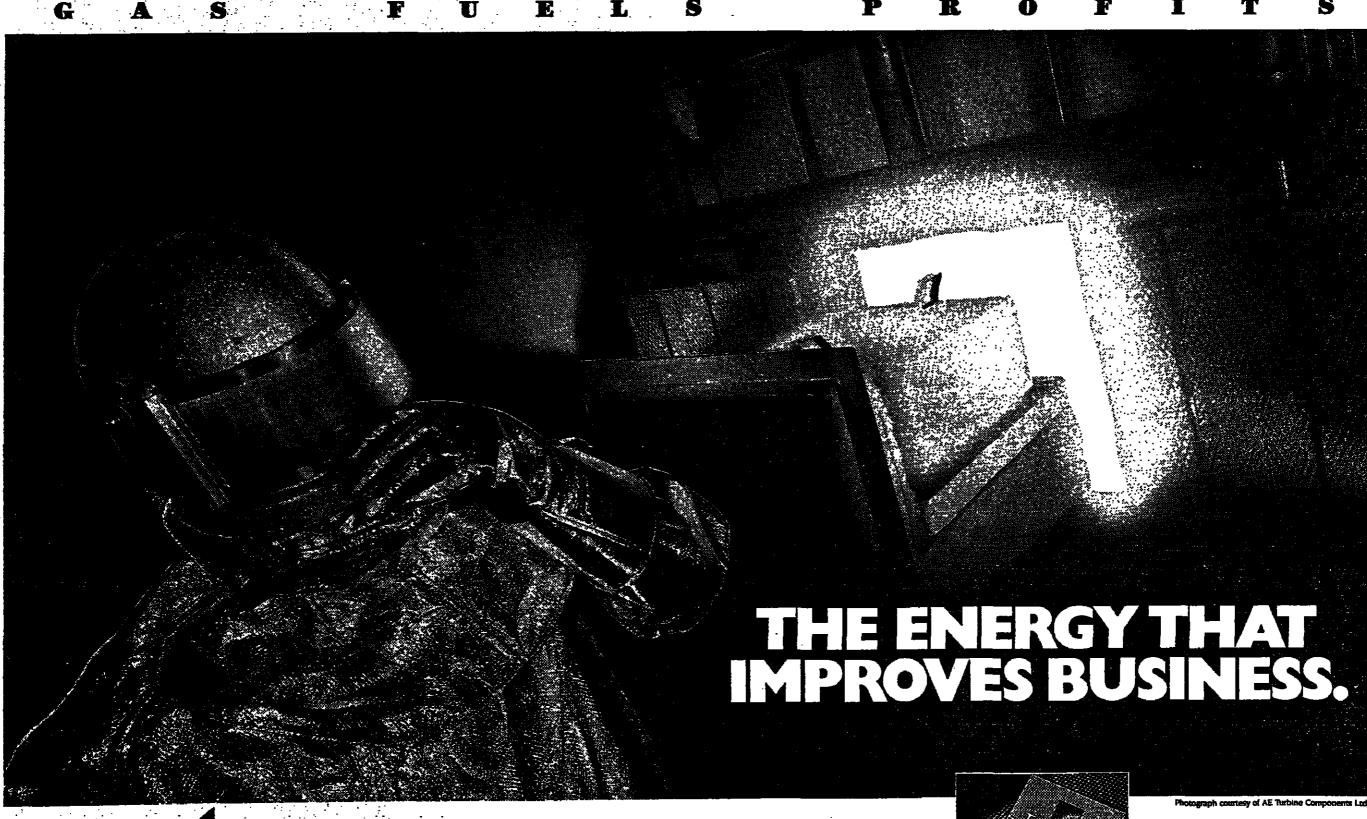
■ Third, the Government is aiming to provide a more stable economic environment that will give companies the assurance that they can make meaningful plans for the future. This is the

Nothing illustrates this conundrum better than the recent stock market furore. Are compaare few and far between - projects such as the new plant for Clark's shoes, or Plessey's recently-opened Roborough semiconductor facility, stand out almost for their rarity value.

In many areas, therefore, it is steady rise in sterling against the dollar reviving uneasy memories.

Some industrialists concede privately that these fears loom large in their thinking. For them, the reconstruction of UK industry that has gone on in the 1980s has still not moved up a gear into the drive for new products and services that will generate significant volume growth and, at the same time, make a big impact on unemployment.

"My belief," says Mr Ronald Armstrong, head of the PERA First of all, it strongly supports the establishment of foreign companies in the UK, encouraging the wide range of business that have flocked in this country are worried by fluctuations in financial parameters. which they do not control. So if you have movements such as we



It's clean, extremely reliable and infinitely controllable.

It's economical to use and has it's versatile and highly efficient. for thousands of companies.

It can improve product quality and helped to reduce manufacturing costs boost productivity. It's easily installed and often pays for itself within two years

Natural gas. It was made for modern industry. Ignoring it could cost your company dearly.

UK INDUSTRIAL PROSPECTS 2

Economic outlook

Harder now to bet against pessimists

ment hopes will be its seventh year of rising output, even the brashest economics pundits are hedging their bets.

The stock markets' crash, the

turmoil on foreign exchange markets and a deteriorating trade balance have multiplied the usual question-marks over the sustainability of Britain's

recent strong performance.
Official concerns, masked by a
determined display of public confidence aimed at preventing business from 'talking itself into a recession", are on two levels. The first focuses on the possi-ble impact on the economy of what has happened already even if financial markets now stabilise. The second, more worrying, is that the events of the last few months may be only a precursor to a much more longer period of

on the first count, the evidence so far is sketchy but relatively optimistic. Last year's sharp rise in economic output confounded the sceptics. A surge in productivity in manufacturing industry showed signs at least of

industry showed signs at least of reflecting a genuine improvement in the supply-side of the economy. Unemployment has fallen steeply.

Those published official statistics which cover the immediate aftermath of October's "Black Monday" point to a still-buoyant page of expansion.

pace of expansion. Looking forward, surveys by the Confederation of British Industry and other organisations suggest that industry remains confident that it can shrug off much of the impact of the steep fall in its stock market valuation. Independent economists share

the Treasury's optimism that the depends crucially on the assump-impact on consumer spending of the share price collapse - the crash, a tumbling dollar or the the share price collapse - the so-called wealth effects - will be limited. The Government may the have succeeded in widening share ownership, but direct holdings of equities are small when measured against the personal sector's overall wealth.

measured against the personal sector's overall wealth.

The Chancellor's decision to ratchet down interest rates to 8.5 per cent – their lowest level since 1984 – is designed to further underpin industrial and consumer confidence.

The experience of the past two months suggests that the US Administration is willing to take considerable risks with the markets in the hope of avoiding a significant slowing in the US economy ahead of November's presidential elections. consumer confidence.

In particular, the aim is to ensure that the rise of more than

> Industry remains confident that it can shrug off much of the impact of the steep fall in its stock market evaluation, according to recent surveys

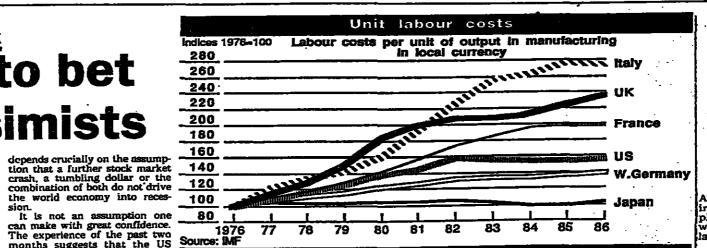
5 per cent in manufacturing output in 1987 is followed by a renewed burst of investment spending after the virtual stag-nation of the past two years. Unless there is such an expansion of capacity, there is little confidence that the recent pace of expansion can be sustained without a significant revival of inflationary pressures and a still-sharper worsening in the

trade balance. Against that overall back-ground, the consensus among City and other Independent economists is that the economy is likely to expand by around 2.5 per cent in 1988 - markedly lower than the 4 per cent seen in 1987, but still above the average of most other leading industrial

US deficit and the parallel sur-pluses in Japan and West Ger-many, Washington is undermany, Washington is under-standably hesitant about committing itself to a further period of dollar stability.

Despite occasional panics on currency markets, the strategy of allowing a steady depreciation of the dollar has so far been rela-tively successful. If the nominal US deficit remains stubbornly high, there is positive evidence from the underlying pattern of trade flows that the position is steadily improving.

The threat, however, that a free fall in the US currency's value could yet trigger a sharp upturn in American interest rates and pull other industrinations. alised nations into recession has the possi-



bility that stock markets will lose patience with US efforts to reduce its budget deficit. in parallel, the speed of the dollar's most recent decline risks reinforcing the damaging impact on industrial confidence of the stock markets' crash - particu-larly in Europe. Many British exporters to the US are already

feeling the squeeze.
In an ideal world, the trade imbalances would be gradually reversed by a combination of US reversed by a combination of Us efforts to hold down domestic demand matched by expansionary measures in West Germany and Japan to take up the slack. The evidence since October, however, has been that co-operation in economic policymaking is

at best fragile. Even without further shocks, the Paris-based Organisation for Economic Co-operation and Development is forecasting that the pace of growth in Europe is likely to slow to less than 2 per cent in both this year and in 1989. West Germany's perfor-mance, crucial because of its healthy trading relative to the rest of Europe, is projected to be

The Chancellor has some scope to insulate Britain from the impact of such a slowdown. The signs are that the public sector's finances in the 1987-88 financial year will show a surplus for the first time since the late 1960s.

income tax.

The combination of tax cuts the investment outlook.

What is far less certain, however, is the extent to which Britain can continue to grow sig-ble. nificantly faster than its major Ar nificantly laster than its industrial partners without an tion, however, is likely to rekinal alarming deterioration in its dle inflation – a weakness in the trade nosition.

It is far less certain, however, half of 1988.

ing impact on competitiveness of the traditional Achilles heel of proved the traditional Achilles heel of proved wrong before. But it is Britain's economy – rapid getting harder to bet against growth in earnings – was offset them.

by similarly rapid gains in productivity

That should leave him with ample scope for tax cuts in the March Budget. The City consensus is that he will have at least \$300 to spend in cutting both the basic and the higher rates of steady erosion of its competitive the steady erosion of its competitive.

The combination of tax cuts and buoyant growth in real incomes should at least underpin domestic demand in the economy, while lower interest rates cies, particularly the D-mark. On and high corporate profits provide grounds for optimism on cial rhetoric on the Government's determination to hold the pound close to its present levels, such a devaluation looks inevita-

Any sizable sterling deprecia rade position. economy which Mr Nigel Law-The Treasury's forecast of a son, the Chancellor, has mancurrent account deficit of £3.5bn aged to control but not cure.

next year is widely regarded as both plausible and manageable economists is therefore forecastin the context of Britain's large ing that, if economic output remains relatively buoyant, then by the second half of 1988 Mr that financial markets will Lawson will find himself having accept what many economists to raise interest rates significance will be a rapid worsening cantly to hold down inflation. That in turn could leave unembel of 1999 alf of 1988. ployment still hovering at close For much of 1987 the damage to 3m.

The pessimists have been

Industrial investment

Stock market's fall upsets calculations

of significant new greenfield sales to domestic equipment investment projects launched in manufacturers which have the UK over the last year or two. But it is a great deal more diffi- sites. have their parentage in a British-owned company. Many of the most ambitious outlays on new plant have been by foreign companies - manufacturers such as Nissan, Yamazaki, Compaq, NEC, LSI Logic, AT&T/Philips, and Digital Equipment, to name just

This pattern of investment tells a story. For a start, it indi-cates a feature of industry which is common to most developed countries today - the increasing internationalisation of produc-tion by companies that feel they have to invest overseas. In the US and Europe, there has been a similar drive by foreigners to put up plants, some of them owned by UK companies which argue that the money is best spent there than at home. Even in Japan, a few Western companies are now finding opportunities to

Several of these investments additions, for instance, is also reflect the imposition of intended to take capacity from trade barriers of one kind or another. Japanese vehicle manufacturers, such as Nissan for example are facing formal or voluntary quotas in many European markets; semiconductor companies like NEC of Japan, the largest integrated circuit manufacturer in the world, must pay import duties of around 12 per cent in the European Community; and many Japanese with a crash modernisation pro-component producers are setting gramme which has stretched per cent in the European Com-munity; and many Japanese

IT IS not hard to find examples up in the UK to protect their across the whole of industry.

in a companies believe that they need to invest locally to be close to the equipment producers that use their goods. Component companies particularly fall into this panies particularly fall into this category, because the development of new products often depends on a dialogue between them and the users. There is a similar pressure on information technology companies: they often need to invest in locally-originated software development if not hardware because ment, if not hardware, because of the particular demands of the local market.

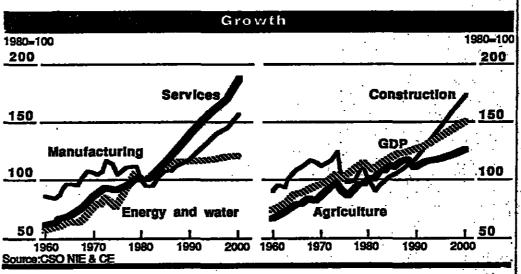
Above all, however, the pre-ponderance of foreign greenfield investors underscores the focus of UK industry itself on priori-ties other than outright increases

There have, of course, been some expansionary moves: Jag-uar's expenditure on new flexible assembly lines and paintshop around 47,000 to 80,000 cars a year, and Plessey has this year opened its new Roborough semi-conductor facility, the most ambitious project of its kind from a British company for years. But the past few years have been dominated by two issues - capacity reductions in some of the more traditional sec-

Capital investment, therefore. established local manufacturing into labour-saving machinery The new manufacturing lines that have been installed have gone mainly into refurbishing Source CSO NE & CE old plants expense of closures because modern machinery often requires less room in which to operate.

> same time, been putting a great deal of emphasis on expansion overseas, particularly in the US, where acquisitions are running at around \$16bn this year against \$13bn in 1986 - both of them easily record figures. The against \$130h in 1980 - both of them easily record figures. The stock market crash appears to have put a damper on this trend for the time being, but in the past two years it has undoubt-edly deflected cash from invest-

ment in organic growth to expansion through acquisition. This acquisition of overseas assets highlights questions about the trend in UK investment that have become increasingly insis-tent over the past few years. Fol-lowing the shake-out of the early 1980s, do British manufacturing they step up capacity enough not only to stop the erosion of their



Even new plants have not unactuated extremely variable course always meant a significant addition to capacity: the opening of the past 10 years. After the the BICC fibre optics cable facility at Whiston, near Liverpool, ity at Whiston, near Liverpool, picked up sharply in 1983, it followed extensive rationalisation of its old coaxial cable 1985, rising by 18 and 15 per cent respectively. But this was a would be roughly comparable to the 1987 figure — suggesting a Capital investment in the man-

> were cut off.
> In 1986, when this stimulus
> was withdrawn, investment in manufacturing industry declined by about 5 per cent to \$7.1bn, calculated at 1980 prices. Last
>
> These calculations, however,

calculated at 1980 prices. Last year, the trend was upwards once again, but was unlikely to reach 3 per cent, and even if it did, total manufacturing investment in real terms will still be well below the peak year of 1979, when it hit £8.2bn.

Yet, on the face of it, there is considerable incentive for companies to think of capacity additions at present. For several months, many industrial companies have been working close to their theoretical capacity limits. dence to try to expand their theoretical capacity limits. Indeed, fears that the economy they step up capacity enough not might be driven into inflationary the willingness to invest. market shares, but also begin to

interest rates in August - were partly based on this high rate of industrial output.

1985, rising by 18 and 15 per cent respectively. But this was a somewhat artificial increase, driven by the withdrawal of investment incentives and the need to push through programmes before these tax breaks were cut off.

Intentions survey in the complete to intentions survey in the complete to would be roughly comparable to the 1987 figure — suggesting a rise of around 8 per cent in total investment (including manufacturing, construction, distribution and selected services). In the manufacturing sector itself, however, the report forecast a strong ever, the report forecast a strong increase in capital expenditure

se calculations, however

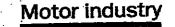
overheating - one of the consid-erations behind the increase in the Phillips and Drew broking

group, for example, says that his forecasts have come down to a growth of around 1.5 per cent in growth of around 1.5 per cent in manufacturing investment this year, approximately half of last year's expectations. He does not believe that the rise in the cost of equity funds - the consequence of the fall in the market will be a significant consideration in this decline in expenditure, partly because lower interture, partly because lower interest rates are making debt financing more attractive. But he expects manufacturers to be worried by doubts over the level

of demand.

Other City economists are more bullish. James Capel, for instance, is talking about a 3 per cent increase in manufacturing capital expenditure in 1988; and some analysts believe that, while it is too early to tell how industry is reacting to the stock market fall, the fact that many companies are reappraising their panies are reappraising their investment programmes will mean some slowdown later in the year because of hold-ups in the approval process for spend-

By reviewing their invest ment programmes they are bound to cause some delays in expenditure, probably towards the end of the year," says Mr Peter Deighton, of House Govett. Terry Dodsworth



Dollar weakness puts a spoke in the buoyancy

industry is entering 1988 well placed to continue a revival which gathered pace throughout

last year.

Figures about to be released by the Society of Motor Manufacturers and Traders are expected to show that last year, for the first time ever, UK new car sales eached 2m units.

reached 2m units.

This compares with 1.89m in the previous record year of 1986; and represents a rise of more than 400,000 units from the trough of the early 1980s reces-

Seemingly, more encouraging still for the UK industry is that the figures will show the share of total sales taken by imports to be down by around five percentage points, to only just over half the total. Until a year or so ago, it was not uncommon for the importers' share to break through 60 per cent in some

through 60 per cent in some sharply. Compared with fewer than 880,000 cars in 1982, output

than \$80,000 cars in 1982, output last year is expected to have risen to around 1.2m, an increase of nearly 40 per cent. This upward trend has been prompting some leading industry figures to proclaim that the UK industry is undergoing a "renaissance."

For example, Mr Sam Toy, former Fard of Reiting, chairman. that over the next two to three resumed shipments of Rover cars years UK car production could easily reach 1.5m units a year.

Investment in the UK car uncertainties, however, the UK

And in the middle of last month from 1987's record levels. Nissan announced a further \$216m investment in its Sunder-land, Tyre and Wear, car plant

ernment statistics to be published in a few weeks are likely to show that they reached around 235,000 units, up one-quarter on the 187,566 of 1986.

A given event and unities to be publing sales to fleet or private customers.

A more likely outcome — at least in the absence of a full-scale world recession trig-

D-mark. The switch was convenient in more ways than one:

Bower interest rates.

However, there are fears that if sales do drop to the predicted political pressure, particularly on level or below, there could well GM, for further signs of their be a new flaring up of the car good "corporate citizensitip" by discounting wars, of which the building more cars in Britain had UK has been relatively free over in any case been growing for the past two months.

That would be a series that the past wo months.

built gain was simply a function of the way the SMMT compiles its statistics. Thus an apparent

points in Japanese importers share was the result of counting the 29,000 Bluebird saloons built at Sunderland as "British", although they will not qualify for the term in the UK Govern-ment's eyes until they reach a minimum "local", or EC, content

Matters are also put into perspective by the fact that the only UK-owned volume cars producer, the state's Rover Group, lost market share last year.

market share last year.

The increase in exports looks modest, too, when set against the fact that there was a \$2.88bn balance of payments deficit in 1986, although the signs are that the statistics for last year will show a small improvement.

Finally, the production improvement about which so much enthusiasm is being generated compares with a peak level of 1.92m in 1972.

nrough 60 per cent in some of 1.52m in 1912.

Just to complete the gloomy side of the picture, the bulk of investment in the industry is being made by foreign-owned ast year is expected to have sisen to around 1.2m, an increase force in the solution of the picture.

Against this background area. Against this background, pros-pects for 1988 have been rendered uncertain by both the stock markets collapse and the seemingly remorseless fall of the dollar. The latter is of particular mer Ford of Britain chairman, concern to exports-orientated was moved to predict, during his Jaguar as well as to Rover, that over the next tracks to the same tracks and the same tracks are the same tracks.

industry is also substantial — industry has been virtually Ford's, for example, is currently unanimous in its view that UK running at about £300m a year, sales this year would fall back The only question is: By how much? Some forecasts made in

which will double the previous kets crash and suggesting falls of ly-amounced target output in nearly 250,000 units, now look 1992 to 200,000 units a year by adding a second model range (a small hatchback).

Here the previous kets crash and suggesting falls of ly-amount to the previous control of the previous kets crash and suggesting falls of ly-amount to the previous control of the previous kets crash and suggesting falls of ly-amount to the previous kets crash and suggesting fal Not least, car exports have warning signs of reduced busi-reversed their long decline. Gov-ness confidence adversely affect-

A closer examination shows, gered by the economic problems however, that the situation is of the US – is, suggests the Econog quite as buoyant as it might omist Intelligence Unit, a market appear, and that much of the of 1.85m, while DRI Europe is recovery is based on the not-too projecting 1.82m; reliable foundations of favours. These forecasts take into

ble exchange rates.

Thus, most of the market share profits are continuing to increase gain by UK-built cars was and projections of economic accounted for by Ford and Gengrowth so far are being only eral Motors-owned Vauxhall marginally reduced, while there sourcing more of their sales from are other positive factors, such UK plants, largely to mitigate as falling unemployment and the effects of the sourcing lower interest rates.

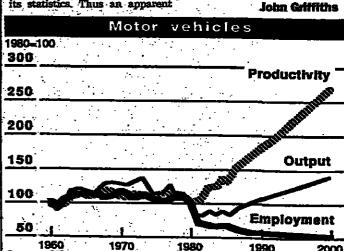
D-mark. The switch was conve
However, there are fears that

That would be particularly

several years.

That would be particularly
Another portion of the UK- unwelcome to Rover and Vaux-

John Griffiths



THE TAKEOVER wave which has restructured large parts of British industry over the past few years goes into 1988 with its characteristics undergoing major

The stock market crash of last October has had a dramatic effect on the types of company involved, the financing of deals.

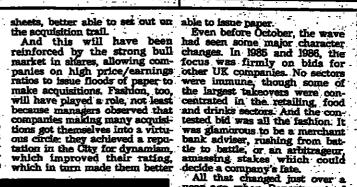


Cash is king in a crash

effect on the types of company involved, the financing of deals strategic stake building in early node and takeover tactics.

It also produced an initial takeover wave is far from short, sharp drop in the volume exhausted.

That said, the type of predamentable revival of bids and tors involved has certainly of the company in value, if not necessarily in value, if not necessarily in value, if not necessarily in the volume terms – compared to the volume terms – c



amassing stakes which could decide a company's fate.
All that changed just over a year ago when Department of Trade inspectors aftered the headquarters of Guinness to begin their long investigation into alleged share-rigging during the takeover battle for Distillers. the takeover battle for Distillers. Even before the Guinness affair, it had seemed somewhat harder for predators to win contested bids. After Guinness, it was certainly so, and gradually, over the first nine months of 1987, contested UK bids petered out.

Agreed deals did go on, and there was a sudden spurt in the value of bids for American companies, culminating in the extraordinary cheeky, yet successful, offers by two small British companies — WPP and Blue Arrow — for the much larger I Walter Thompson advertising group and Manpower, the staff agency.

But October's

agency.

But October's crash has changed all that: Former high-flying companies with little

market, severely restricting their ability to issue paper to buy busi-One of the most startling

asset backing have seen their

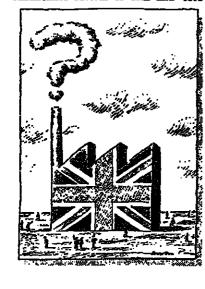
One of the most startling examples of the change is the fate of Abaco, a professional services group which, with a string of rapid, paper-financed acquisitions, was one of the market's favourities before the crash. But then its share price plunged to the point where it fell victim to British & Commonwealth Holdings, which already held a 27.5 per cent stake in the group and with which it had close relations. An agreed \$189m bid was launched.

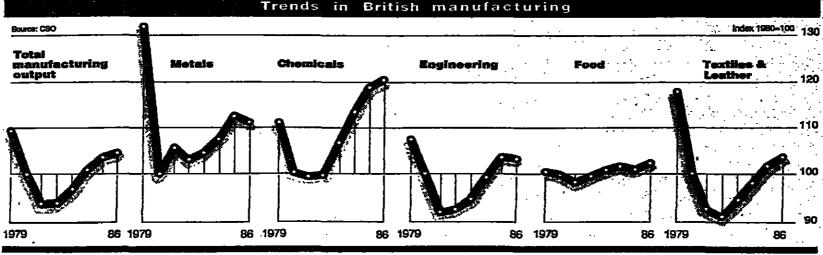
launched.

Meanwhile, with the dollar plunging and fears of recession in America, buying companies in the US is suddenly out of fashion. Another pre-crash high flier, the home furnishings group Coloroll, announced very shortly after Black Monday that it was abandoning its plans for a rapid expansion by acquisition in North America, to concentrate on organic growth in its core British activities.

The type of company most

The type of company most likely to be on the acquisition trail in 1988 is therefore very different to that pre-crash. First, it will tend to be cash-rich, since issuing paper is that much more difficult in a bear market. Second, worthy but rather dull companies, which found them-selves outbid for acquisitions in





UK INDUSTRIAL PROSPECTS 3

Aerospace industry enters 1988 with strong trade balance

Upward trend continues

moves into 1988 on a strong note, with exports running at a high level, a strong positive trade balance and order backlogs

well in excess of \$20bn.
As a result, the coming year is likely to be more one of consolidation than of innovation, with companies stepping up their marketing activities to win fur-ther sales overseas while also fulfilling the substantial export orders already won.

With competition across the entire spectrum of aerospace activity now intensifying world-wide, vigorous campaigns to cut costs and improve efficiency have already been introduced. But that will need to be sus-tained and even stepped up this

For the first half of 1987, according to figures prepared by the Society of British Aerospace

that the upward trend in exports continued, so that for 1987 as a whole, the industry expects record results, with turnover well up, exports well in excess of the \$4.74bn achieved in 1986, and a much increased positive

trade balance. But although the emphasis in 1988 will be on consolidation, there are still some major new projects awaiting launch, which are considered vital for the

These include the long-awaited formal go-shead for full-scale development and production of the multi-billion pound Eurothe multi-billion pound European Fighter Aircraft (EFA), in
conjunction with West Germany,
Italy and Spain, which will fill
the production capacity left
through the rest of this century. vacant as quantity production of the existing Tornado multi-role combat aircraft runs down in the

early to mid-1990s. Eventually, more than 800 EFAs will be built for the four participating countries, without taking into account the possibility of exports, so that this programme will fill the factories well into the participations. well into the next century, sus-taining employment and enhanc-ing progress in advanced technology, especially in such areas as computer aided design and to go ahead without UK support manufacture; in the development of new materials, such as aluminium lithium; and in new production techniques, such as diffusion bonding and superplas-

In aero engines, apart from its work on the EJ-200 military aerospace industry will increase engine for the EFA Rolls-Royce their funding of space activities is expected soon formally to to enable them to share in the launch development of its projected new big-thrust civil advanced ESA programmes even on a private venture basis, engine, the RB-211-524L (formerly called the RB-211-700), remains uncertain, although it remains the properties of the remains uncertain. engine, the RB-211-024L (for-merly called the RB-211-700), which is designed to provide power outputs up to 65,000 lb thrust initially, and beyond to 70,000 lb, if required.

tic forming.

Although the development cost will be high, this engine is essential if Rolls-Royce is to remain in the "big league" of world aeroengine builders, in competition with its US rivals General Electric with improved versions of its CF6-80-C2 and Pratt & Whitney with improved models of its

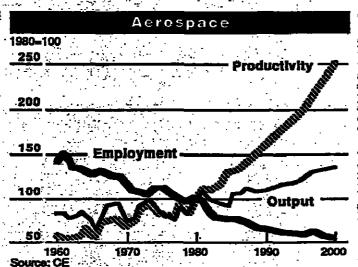
Such high-thrust engines will be required for several forthcoming new airliners, including the short-to-medium range high-den-sity twin-engined Airbus A-330, the medium-to-long range McDonnell Douglas MD-11 tri-jet, and improved models of the Boeing 767 medium-range twinengined airliner,

In addition to these ventures, the industry will be pressing ahead with other new programmes already formally launched but still in their early development stages.

In commercial aviation, these projects include the new Airbus twin-engined short-to-medium range A-330, and the four-engined long-range A-340 airliners, for both of which British Aerospace will be building the wings.

BAe will also be pressing win-engined short-to-medium ange A-330, and the four-enined long-range A-340 airliners, or both of which British Aeropace will be building the wings.

BAe will also be pressing the wing and by the UK Government through the Department of Trade shead with its own new ventures, including the 64-seater



the Society of British Aerospace
Companies, the industry as
whole achieved exports of twin turbo-propeller sirliner, and
\$2.69bn, so that after taking the improved Bae Jetstream 31, continue to enjoy some measure
account of imports of \$1.7bn,
a 19-seater sirliner, while also
of UK Government support,
there was a positive trade balbuilding up production on the
account of close to \$1bn.

Type 146 four-engined regional
During the second half of the
year, preliminary indications are
variant, as well as the Type die for lack of funding?

There is some sympathy in 125-800 executive jet, to meet the substantial orders won for all

the substantial orders won for all these aircraft during 1987.

In the helicopter field, Westland Helicopters of Yeovil, in conjunction with Agusta of Italy, will be accelerating the development and initial production of the EH-101 multi-role helicopter, of which a military variant for anti-submarine warfare is pleaned wift a commercial six. planned, with a commercial air-liner variant also envisaged.

One area about which there is considerable concern is that of space activity, where although the UK industry has shown its

The Government has declined to increase the level of its contri-bution to the European Space Agency, arguing that the latest developments planned for the advanced Ariane 5 launcher, the development of the manned spacecraft Hermes, and partici-pation in the Columbus contribu-tion to the US projected manned space station, are too ambitious and expensive. Nevertheless, the member-countries of the ESA

ment has been arguing strongly that commercial industry ought to finance more of the space programme instead of relying on increased state support.

seems likely that where there are possibilities of commercial returns, for example in satellite development, some companies may be prepared to do so.

The industry can remember when the Government pulled out of the emerging European Airbus venture many years ago, and it was only because Hawker-Siddeley Aviation retained a private venture presence in it that the UK was able eventually to get back into what has now become the third largest civil aircraft the third largest civil aircraft. manufacturing venture in the world after Boeing and McDon-nell Douglas of the US.

But clearly the UK industry cannot afford the large sums that would be involved, even on an international collaborative basis, on major future space programmes into the next century.

One area of concern as a result of that approach is the future long-term development of Hotol, the revolutionary "aerospace plane", which is intended to take off and land like a conventional aeroplane while being able to soar into low-earth orbit on

ment of Trade.

The big question is what is Advanced Turbo-prop (ATP) going to happen to Hotol in the

Cash is king

from previous page.

ratings, now find themselves better placed to pounce - particularly on second line stocks, where share-dealing has been illiquid since Black Monday.

All this said, mid-December brought forth a bid which defies most of these trends: Barker & Dobson, the retailer and sweet manufacturer, launched an extraordinary \$20n bid for the much larger Dee Corporation, the supermarkets business. The bid was partly in shares with a 51.25bn cash element underpinned by credit lines from a group of international banks.

The more general trend post-Black Monday was underlined by some of the bids launched in and was regarded as one of the less exciting companies in the sector. Post-crash, however, analysts began re-discovering its vir-tues as a defensive stock (even though shoes is a mature market, everyone has to go on buying

Last month, after Australian entrepreneur Robert Holmes a Court sold his 85 per cent stake in Sears to the Egyptian Al-Fayed family, thus reducing the chances of a bid. Sears itself went on the offensive, launching a \$430m hostile offer for the Freemans mail order business.

Sears' action underlines another feature of the post-crash environment - the revival of the hostile takeover bid. This is often accompanied by dawn raids on a target's shares, designed to give the predator a quick bid platform. The aggressors are hoping that institutional investors who, in a rising market could afford to turn down hostile offers, will be much more willing to accept cash now the market is

Still, institutional investors have fresh in their memories the prices at which target companies' shares were changing hands before October. And some predstors are known to feel it will be worth their while waiting for several more months before pouncing, giving the market more time to adjust to more done with the Space Shuttle.

Nevertheless, many in the industry believe that some other ventures will be well worth continuing at least for the immedi-ate future until their overall fea-sibility can be established to the point where serious consideration can be given to them being continued on an international collaborative basis.

This especially includes Hotol, which could be the passport into extensive collaboration in the future with the US on such ventures as aerospace planes in the broadest sense, even if the UK stays out of, or contributes in low volume to, the other ambi-tious ventures such as Ariane 5, Hermes and the Columbus element of the US manned space

The survival of much of the The survival of much of the advanced technological development that accrues from space research and which is directly and immediately applicable across the entire spectrum of aerospace activity depends on some resolution of this issue over the perfect manner. the next few months.

There is some sympathy in Resolution of the space fund-industrial circles for the Govern-ment's desire to avoid writing relevant to projects such as blank cheques for all future Hotol, and to the future of the

Transport industry

tunnel of opportunities

THE ATTENTION of much of the transport industry will be centred on the Channel Tunnel which will carry vehicles and tract jointly. So far, it is the only contender.

The position of Brel in the concentred on the Channel Tunnel which will carry vehicles and in the coming year, as operators their passengers between the

nies will be waiting for a deci-sion from the Government on the future of the Post Office monopoly of non-premium etters.

There will also be lessons to be learnt from the public inquiry into the King's Cross tube disaster, which is expected to reconvene in February

As far as the Channel Tunnel is concerned, attention is begin-ning to switch from the financing of the project to construction and the purchase of track, signalling and rolling stock.

This opens up major opportunities for British railway equip-

ment manufacturers, though most contracts will probably be awarded to consortia including French and possibly Belgian partners. The initial contracts, because of the long lead times involved, Metro-Cammell from the UK.

will be for the two distinct kinds of passenger rolling stock

Tenders are expected to be

and manufacturers attempt to gauge how they may be affected.
There will also be some interest in the probable flotation of National Freight Corporation, the biggest road transport operator, and TIP Europe, the market leader in trailer rental.

Among other issues private tor, and TIP Europe, the market leader in trailer rental.

Among other issues, private express mail and parcels companies will be waiting for a decimal and parcels companies will be waiting for a decimal and parcels companies.

trains.
TML is believed to have allocated around £160m for railway equipment, including rolling stock, and loose consortia have already been formed with a view to winning the contract.

to winning the contract.

GEC Transportation Projects, for instance, is known to have had talks with Alsthom, the major French manufacturer, and British Rail Engineering Ltd (Brel) the equipment subsidiary of the British Railways Board.

Bidding is more edurated for Bidding is more advanced for the rather bigger contract to sup-

ply the through trains which will carry passengers between London, Paris and Brussels. This contract, which is worth around \$400m, is almost certain to go to an Anglo-French-Belgian consortium including GEC, Brel, has begun to swing against a flo-Brush Electrical Machines and

This consortium was formed after the issue of specifications by British Rail, SNCF French Railways and SNCB Belgian Railways, which will award the con-

sortium may be slightly compli-

vate sector during the year. to finance the comp.

The most likely purchaser is a equipment programme. Further Government proposals

Among land transport operators, the employee shareholders of the National Freight Consor-tium will have to decide next month whether to go ahead this itor to the Post Office and virtu-year with a stock market flota- ally guaranteed a share of the tion, which is regarded as inevi-table in the long term.

Sir Peter Thompson, chairman of NFC, has long favoured flotation, and a recent survey of staff attitudes indicated that there

tation since the stock market crash in October, however, and

in the hope that the markets would settle down. Mr Jim Cleary, chairman of cated by the Government's plans TIP, says the flotation will go to sell the company to the pri- ahead this year, partly in order vate sector during the year.

to finance the company's re-

management buy-out team, however, which would mean that the TNT, the Australian based mulcompany would still function as tinational, is expected to keep up an independent member of the the pressure on the Government to relax or abolish the Post Office monopoly on letters cost-

for privatisation of parts of BR ingless than \$1.

may also be brought forward, TNT has made clear that it is but railway managers say they ready to set up an alternative have been told this is unlikely, at national distribution system to least until Brel has been disposed compete directly with the Post Office, but only on its own

These would mean the creation of a duopoly, in which TNT would be a licensed compet-

None of the private companies seeks a free-for-all, since they would be unable to compete with the Post Office's high volume

TNT's proposals are opposed by the other private companies, however, and there is as yet no firm indication that the Government has any plans to loosen the monopoly now that the Post Office has reached a settlement

Kevin Brown

l'assion, trigue, uspense

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F.T.S

Iron and Steel

On the threshold of privatisation

AFTER TWO years of being off centre stage, the UK steel industry is back in the spotlight. It is going to stay there this year.
Legislation due in the first half of 1988 for the privatisation of the British Steel Corporation—pencilled in for 1989 or at the end of this year if it can be squeezed in—ensures that.
But that is just the most visible of a series of issues in the metals

of a series of issues in the metals of a series of issues in the metals industry which have implica-tions for large swathes of British manufacturing.

For one thing, the ability of

private sector steelmakers as well as the corporation to maintain their profits growth of last year will be closely watched.

This will be particularly so for Allied Steel and Wire, the Cardiff-based rod and wire producer and one of the four main Phoe-nix companies set up during the 1980s in the Government-inspired programme to rationalise the British steel industry.

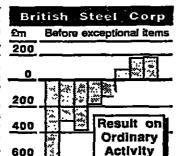
Allied was sold at the end of last year for \$181m to a consortium of City institutions and the management has started out on the road to a Stock Exchange

listing.
Most private sector companies are in profit, and appear to be in a healthier state than for several years. Most of them believe this year will be fairly good to them with a steady improvement in

But the British Independent Steel Producers Association's annual meeting at the end of 1987 was marked by some stinging attacks on energy ministers it was down to 60,000 but with the state of the state ing attacks on energy ministers for electricity pricing and the damage new tariffs might inflict on profits.

The problems of the foundry sector manifest themselves in a

The independents also rely on the UK market for about 80 per cent of sales on average. At the moment, the UK market is pretty the UK market for about 80 per cent of sales on average. At the moment, the UK market is pretty buoyant, but a sudden and unex-foundry in the West Midlands



pected downturn will not help inyone. One trend which will almost

1980/1 82/3 84/5 86/7 87/8

certainly continue through this year is the reshufiling and partial restructuring that has been underway in what might be viewed as periphery areas of the metals industry.
This has affected the steel

stockholding business, scrap sup-ply, foundries and some of the cial steel making sectors. A report produced last year on training in the British foundry

industry reached some gruesome conclusions about the damage that long term training deficien-cies would have on the competitive position of this already shrunken sector.

sector manifest themselves in a number of sales and closures last

while another Rover foundry closed, as did the Parker foundry in Derby.

The scrap industry saw one of

the most significant pieces of restructuring in years with the sale of 600 Group's Cohen business, the biggest in the sector, to

That industry is gradually Source: CE being reshaped into one where a few large companies now have a dominant influence. More, but much smaller-scale reshuffling is

likely this year.

Scrap companies will also have to contend as usual with the volto contend as usual with the vol-atility of the scrap price. That volatility is unlikely to be so marked, though, as last year when the price rose 40 per cent between April and November. A cluster of small shifts in the ownership pattern of steel stock-holding continued to change the face of that sector and more of

that is expected.

The British Steel Corporation has just 15 per cent of UK stock-holding and has given notice that it will be increasing this share. This will only be done after privatisation, however. At the moment, the corporation has its hands tied by the Govern-ment though it has been buying up stockholding businesses in

scale realignment of the private steel sector last year. Though this was small beer compared with the huge rationalisation and reorganisation programmes during the early and mid 1980s, there could be more of it in 1988. Last year, the changes include further expansion by Glynwed in bright bar, tube and special steels, and the purchase of the special steels subsiduary of Tri-

plex by United Engineering Steels, the biggest private sector

1980-100 **Productivity** 356 300 250 200 Output 150 **Employment** 1990 Metal goods **Productivity** Cutput Employment

The overall picture for UK steelmaking does not look too bad at the moment. This is a far cry from the nightmares of a few years ago and, to some extent, compares favourably with the groggy condition of steel industries in some of Britain's biggest

1970

continental competitors. The climate will obviously be partially governed by what remains of EC quota controls and the way the French, Italian and West German steel industries restructure. The health of UK manufacturing and the

International comparisons

world economy, especially that of the US, are vital factors in maintaining steel profits and at the moment things look reasonable on that score.

A lot about the way that Brit-ish Steel will be privatised is already known. It will be sold as one unit through a full flotation. However, apart from exact tim-ing, it is still to be decided whether the Government will sell off all its stake in one go or

Information technology

The trend to downsizing

THE UK's prospects in information technology are not, on the face of things, particularly promising. Its share of the world marising. Its share of the world market in data processing, telecomanother of equivalent power but
another of equivalent power b small at only just over 5 per cent Last year, Britain exported \$6.8bn of information technology equipment and imported \$8.9bn, a shortfall of \$2.1bn.

It boasts one mainframe computer manufacturer, Internaputer manufacturer, international Computers, with world-wide sales of rather less than 4 per cent of those of the industry ing power of a very much larger leader, International Business machine for a fraction of the

owned with the exception of themselves hopelessly over-

Nixdorf in ninth place. priced Britain's programme of The research into advanced comput-ing technology, the Alvey initia-seem well aware of the chaltive, has come to the end of its term and, despite good evidence of solid progress in many areas, director of ICL, says he expects the Government is reluctant to to announce multiple microprocommit further funding on the

But telling though these points are, they do not give any clue to Information Technology (ITL), the massive changes which are claims his latest machines expected to rock the worldwide already incorporate the new computer industry in the near future, shaking established leaders — even to the extent of bruishers — even t ers - even to the extent of ormsing IBM - and, perhaps, opening standard benchmarking test, can windows of opportunity for UK companies nimble enough to take advantage of them. Indeed, a similar value of system using there are already signs that British companies are beginning to expenditude the technological pettles in the technolog selze the technological nettles minicomputer manufacturer. which could give them competi-

changes which will reshape the painful transition from produc-industry will result from a multi-plicity of trends of which the most important are the move to fessional computers will shortly

try right now.

It is being driven by the availability of microprocessor chips able to handle data 32 bits at a time, just like mini- computers and mainframes.

Combined together into multi-

value of installed equipment, most successful companies in ICL, part of the STC group, is the only UK-owned companies in future will be these actions. only UK-owned company to fig-ure in the UK "top ten" hard-ware suppliers. It takes second microprocessor architectures, place to IBM; all the rest are US-Those which can most quickly change the design of their machines to multiple microprocessor architectures.

The leading UK mainframe

lenge.
Mr Peter Bonfield, managing

cessor machines in the near future. Mr Tony Davies, chairman of

Apricot Computers, a UK microcomputer manufacturer tive advantage microcomputer manufactures
It seems likely that the which has already made the "downsizing," the adoption of announce a range of micropro-international standards and the cessor based computers ranging

information technology Computer services as a % of GDP 0.74 0.68 Europe 0.62 0.56 0.50 0.44 Germany 0.38 0.32 0.20 Sources: IDC, Coopers and Lybrand Associates

processing 80m instructions second.

It seems, furthermore, that universal standards for the connection of computer systems of different manufacture and to enable the same software to be run on machines of several different manufacture and to give the substantiage.

ICL, ITL and Apricot are at one with most of the world's computer manufacturers in supporting Unix as the operating system for the small to medium-sized range of machines.

Britain's greatest potential in the same of th

The proposed international ever, seems to lie in its software standard for computer communiand services companies and their cations - OSI or Open Systems Interconnection - is within an ace of complete specification. Already a score or more of manufacturers have taken part in trials showing they are capable of exchanging documents between their respective machinery, a crucial test of adherence to OSI

UK companies - and indeed the British Government - have supported OSI for some years now. Mr Bonfield of ICL, for example, is convinced that the company has a robust and realisc strategy. ages" - generalised software
He argues OSI standards cousolutions written to be sold to

from industry standard worksta-tions to departmental computers processing and telecommunica-processing 80m instructions a tions through the link with STC edge from bespoke software.

ability to become prime contrac-tors for major projects - to become "systems integrators" taking appropriate hardware and software and putting it together to solve its customers' problems. Dr Douglas Eyeions, director-general of the Computing Services Association, argues that UK systems integrators are espe-

cially good at solving customers' problems where the problems are not well-defined

are looking for a competitive edge from bespoke software. UK companies are expert in handling "systems kernels" soft-ware at the heart of common applications around which bespoke software can be added to suit specific customers.

Dr Eyeions thinks that the

general outlook is good, although he expects some fall-off in financial services contracts after the crash in world stock markets; defence spending is also likely to

Much depends on the extent to which IBM and other mainframe manufacturers move into the systems integration business, he

Overall, the largest question-mark hangs over the extent to which UK information technology companies can break out of items where the problems tem and look to bigger markets are not well-defined.

There are signs that European the position: "How last can we customers are unwilling to come move to an understanding of a to terms with software pack- European market without frontiers? he asks. Alan Cane

Telecommunications

A year when excuses run out for BT

year they will start considering in earnest a series of decisions

with fundamental implications

to seek a strengthening of the

formula and whether to build

into it quality of service considerations. He has said that the

result would prefer to forget. The company whose privatisa. This year, it will go into much tion spearheaded the revolution higher gear with an advertising in British telecommunications has little more than the next 12 them. Around the middle of 1988 months to reverse the disastrous slump in public confidence which it experienced in 1987.

Last year, BT had excuses their appearance, first in London, and by the end of the year in other major cities. Can BT dramatically improve the property of service? Will Merenough for its troubles - indus-trial action by its engineers early its quality of service? Will Mer-on and the winter storms which cury energe as a truly national disrupted the South. But this service? Underlying both these will be the year in which the questions is a third will ordinary

chairman, is fully aware that year they will start con getting the quality of service in earnest a series of d right is the overwhelming priority. It will be under constant for the future of the indupressure to do just that from the Office of Telecommunications, be the future of the form the industry's regulatory body, erning BT's prices which is due which itself received some of the to expire next year. Professor spray from the deluge of criti- Bryan Carsberg, Oftel director cism which drowned BT in the general, is considering whether

BT has already halted its programme of job reduction in a bid on quality improvement. Under issue is likely to lead to a referpressure from Oftel, it has ence of BT to the Monopolies announced service targets some and Mergers Commission, the of which it is still well short of mechanism for sorting out disto concentrate all available staff by March, 90 per cent of call-putes between himself and BT.

It is also probable that

But perhaps Mercury's greatest telecommunications traffic this telephones which can be used in the store in generating revenues from its large business customers, whom it has targetted for its earliest sales drives, but in

THIS YEAR will be decisive for large swathes of Britain's telecommunications industry. By the end of the year, after a period of almost constant upheaval, the shape in which the industry will enter the next decade should be a lot clearer.

The question overlianging most other developments will be whether British Telecom can succeed in putting behind it a year it would prefer to forget. The company whose privatisation spearheaded the revolution in British telecommunications not necessarily be said of Britain's telecommunications equipment industry.
Private exchange sales will Private exchange sales will continue to decline this year, according to MZA, a specialist marketing consultancy, as a result of the big modernisation programme carried out earlier in the decade. In 1988-89, they will account for \$82.2m, compared with \$97.5m in 1987-88.

British companies

British equipment companies can derive little comfort from those sectors of the market which MZA believes will be buoyant - telephones, cellular phones answering machines and phones, answering machines and the smallest business exchanges - since much of the demand is met from overse This is the backdrop against

which the newly merged equip-ment interests of the General on and the winter storms which cuty emerge as a truly national disrupted the South. But this service? Underlying both these will be the year in which the questions is a third: will ordinary excuses run out. If it fails to get consumers come to see BT's prilits act together, the regulatory vatisation and the industry's libregime due to be in place by the regime due to be in place by the regime due to be in place by the regulatory vatisation and the industry's libregime of the 1990s is likely to be loaded against it.

BT's top management team, under Mr Isin Vallance, the controversial choice as the new these questions, because this chairman, is fully aware that year they will start considering Electric Company and Plessey will have to operate. The joint venture will dominate sectors of the British equipment market, such as private exchanges, but its medium-term priority will be to build up its small presence in overseas markets.

If the unfolding strategy of GEC-Plessey will be closely watched, so too will the progress of another alliance cemented last year that between Northern Telecom, the Canadian equip-First in the pipeline is likely to be the future of the formula govment giant, and STC. Northern has given only fairly general indications of how it plans to erning BT's prices which is due capitalise on its quarter stake in

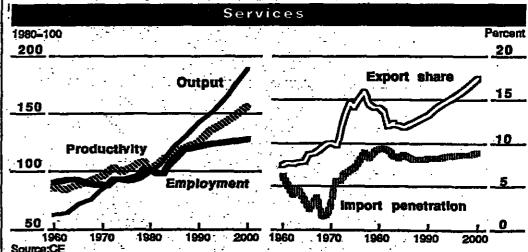
A joker which could disrupt everyone's calculations would be a move by BT to introduce a third public exchange supplier into its core network. The GEC-Plessey joint venture, which brings together their respective System X exchange interests, removes one source of competi-tion, while Thorn Ericsson, the Swedish-UK joint venture, has

boxes are to be working at any time; by April, calls to the operator, including directory inquiries, should be answered within 15 seconds, by March 1989, faults on residential lines should be cleared within five should be cleared within five should be cleared within one day and faults which do not interrupt service are to be dealt with within three days.

While BT is struggling to recover lost ground, Mercury Communications, its fledgling rival, looks as though it is about to take flight. Mr Gordon Owen, Mercury's managing director, predicts that 1988 will be "the and then re-selling them for year" of revenue and profit "which the committed about whether to break the duopoly will have committed about the resultance of the fear that the Swedish-UK joint venture, has Swedish-UK joint venture, has sexperienced some teething the sexperienced some teething troubles in the sale of its remaining 49.8 per cent stake in sheal of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its remaining 49.8 per cent stake in the sale of its sexperienced some teething to week in the sale of its remaining 49.8 per cent stake in the sale of its sale of its remaining 49.8 per cent stake in the sale of its sale of its remaining 49.8 per cent stake in the coriginal of the sale of its sale of its in bedding down its rival system y exchange with BT.

There would be no shortage of offers if BT felt it needed a another competitor. Both Americans and Northern Telecom are to be dealt with the substance of the Neth Philips of the Neth Phili

project which marks Britain out partly because of the fear that communications. As we enter from all other European countries are Owen says that 1988-89 all of the floodgates are opened. To the spectacular growth of Cellnet and Vodafone, the two celluwill see Mercury moving into
At least both network operanet and Vodafone, the two cellusolid profitability and passing tors should be able to count on lar network operators. This year the \$100m turnover mark.



. At least both network opera-

Shipbuilding

The worst may now be over

ers in the coming year rely on factors beyond their own direct control, as do those of the UK's remaining shipowners.

Of course, shipbuilders must make strategic decisions about which sector of the market they are in, and shipowners about routes and investment in additional or replacement ships.

But the reality is massive overcapacity in shipbuilding, and the low level of freight rates available in many sectors of the shipping market.

On the other hand, October's with owners with owners who require the sophisticated weesels in which European yards expected from 1990 onwards will are increasingly specialising. Any Lister has also taken a leading role in the campaign by the European Shipbuilders Liaison Commission to raise shipbuilding subsidies to 30 per cent from the headed by the financier Mr Paul Present level of 20-23 per cent.

Slater, says the order spree is now almost certain, and estimates that orders will be worth prices do continue to rise, since at current world prices, led by in the shipping barriers and continue to rise, since at current world prices, led by in the control of the shipping market.

On the other hand, October's

ues are rising, and there are John Lister, chairman of British signs that shipbuilders in the Far Shipbuilders, were at pains to East, particularly in South stress that they saw the prospect Korea, are beginning to push of reducing their substantial prices up to a level where they losses in the coming year.

TO A large extent, the prospects of Britain's merchant shipbuilders in the coming year rely on factors beyond their own direct control as do these of the UTIA

at current world prices, led by the low-cost South Korean pro-

Swan Hunter – face a struggle for a declining amount; of Defence Ministry business, which is not eligible for subsi-

in a recent report that overca-pacity in warship building was which will protect them against

so bed that in 10 years' time the UK might be reduced to only VSEL building submarines, and one other yard servicing the rest of the Royal Navy's require-

ments.

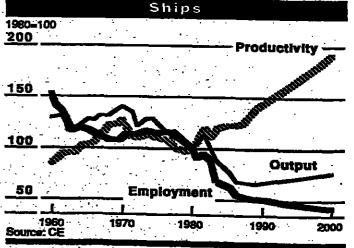
The writing may be on the wall in the shape of the decision by Trafalgar House, which bought Scott Lithgow, to mothball the yard until business improves. Even then, the yard is unlikely to return to warning. unlikely to return to warship Among shipowners, confidence

is growing that the upturn in the freight market for dry bulk carriers which has occurred in the last few months may last longer than previous short-lived Fearnley's, the Norwegian bro-

kers, drew a comparison recently between the characteristics of the present upturn and a superfi-cially similar improvement in 1978-81, and concluded that this time the bull market may be around for some time. around for some time. There is also no doubt that the tanker market is much healthier than it has been, although rates showed some volatility towards the end of the year.

One especially important factors have in the table to the conduction of the second of the year.

tor here is that the oil majors have established a strong market presence through long-term contracts with the producer nations



be Japan, where local shipping companies have plans to offer cruising holidays for the first time. But this market is virtually closed to UK companies such as

vagaries in oil prices and ensure
a steady core of business for the
tanker fleet.
The one sector of the shipping
market in which there has been
constant expansion is pleasure
constant expansion in the constant expansion in the proposed agreement between P&O
curropean Ferries and Sealink
UK, which intend to apply to the
Office of Fair Trading for permission to form a cartel to fight
Channel Tunnel competition.

UK owners will also be keeping a close eye on the proposed agreement between P&O
constant expansion in the comconstant expansion in the comconstant expansion in the comtion will be focused on the proposed agreement between P&O
coffice of Fair Trading for permission to form a cartel to fight
Channel Tunnel competition.

UK owners will also be keeping a close eye on the proposed agreement between P&O
community for permission to form a cartel to fight
Channel Tunnel competition.

UK owners will also be keeping a close eye on the proposed agreement between P&O
community for permission to form a cartel to fight
Channel Tunnel competition.

UK owners will also be keeping a close eye on the proposed agreement between P&O
community for premission into alleged breaches of
Community fair trading law on
the street of the Japanese preference for travelling with local
operators. the shipping routes to the US and Australia

Kevin Brown

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Analysts say only about IUM Harland and Wolff, the state-tons dwt is expected to be owned Belfast shipyard, scrapped this year, reflecting described 1987 as the worst year owners reluctance to dispose of ever for shipbuilding. The yard ships in advance of what they expect may be a rising market.

Furthermore, secondhand values are significant and there are significant and the state of the st

\$12.5bn a year. On the other hand, October's It is now about 13 years since the beginning of the recession in the maritime industries, and there are some indications that renewed cycle of overcapacity and falling rates.

On the other hand, October's the low-tost countries, and docers, they often cannot cover the cost of materials, let alone trade, which could spark off a make a profit.

Britain's warship yards, removed from British Shipbuild-

the maritime industries, and there are some indications that the worst may have passed.

For example, the world tanker fleet was reduced by 1.6m tons deadweight in the first half of for the UK's state-owned shipbulled are in the past few years, 1987, and the dry bulk fleet by 1.8m tons dwt, thus reducing overcapacity.

Analysts say only about 10m tons dwt is expected to be scrapped this year, reflecting described 1987 as the worst year

Tons dwt is expected to be scrapped this year, reflecting described 1987 as the worst year

Thornycroft, Cammell Laird and Swan Hunter – face a struggle

dies. Kleinwort Grieveson forecast

Within the general manufacturing sector, industrial demand is forecast to grow fastest in machinery and data processing, electrical engineering and instrument engineering.

Electronic components

Buoyant demand set to continue

the semiconductor business of owned companies.

Ferranti in November, a move However, most of the plants Ferranti in November, a move which cemented together Britain's two biggest chip con-

This consolidation is taking place at a time when demand for components in the UK looks set to continue buoyant. Dataquest, the US-based market research organisation, believes UK semi-conductor demand could grow by as much as a fifth this year, building on strong demand from data processing and industrial customers last year - the UK sector is so healthy that some suppliers were having to re-schedule bookings taken in 1987 into the New Year, says Mr Jim plants. Beveridge, a London-based analyst with Dataquest.

The main doubt on the immediate princip

The main doubt on the immediate horizon is whether the stock market collapse will have world markets.

The main doubt on the immediate horizon is poor record its poor record world markets.

The main doubt on the immediate horizon is poor record its poor

That is a worry for us all, but I find it very difficult to model through to the component sector, comments Mr David Kynas-ton, managing director of Mul-lard, the UK components business of Philips of the Neth-

investments recently, such as the installation of a line in its Duranove into the ASIC market, Plessey apparently no longer ham plant to make colour tubes for the computer industry, products and driving the price possible that control of Inmos which were previously imported down.

So Plessey, which also demonstrated its commitment to the David Thomas

owned by the giant multinationals are in Britain as part of their global marketing strategies: many of their chips are destined for customers on the Continent or further slield, giving the foreign-owned plants some immu-nity to short-term fluctuations in British demand.

British demand.

As part of these global plans, some are introducing state of the art technologies into their British facilities. NEC of Japan and Motorola of the US, for instance, are both set on producing the next generation of advanced memory chips in their Scottish

The indigerous British indus-try has quite different problems -

step in reducing the fragmenta-tion. The resulting operation begins to have credibility in terms of size in the types of chips in which both Plessey and Ferranti have specialied.

They have concentrated on business of Philips of the Nethcriands.

They have concentrated on chips which are at least partly customised for particular users, may be some slowdown in 1988, known as Application Specific but principally because 1987 was Integrated Circuits (ASICs), a finally realising its ambition of a year of exceptional growth segment of the business which selling a controlling stake in section. This year might see Thorn finally realising its ambition of a year of exceptional growth segment of the business which selling a controlling stake in section and important in important of the future to have, However, that vision could face quickly if too many suppling a controlling stake in large and large and large and large and large and large and abroad as a market with renewed potential. However, that vision could face quickly if too many suppling are ple in. If disappointment is remedied by past tactics - such as attempts to "buy" market with given any prices - yet build up enough sales to generations.

THE EARLY part of 1988 is likely to mean a period of stocking for the UK electronic component industry, as companies component industry, as companies components in producing components in producing components in producing components in seriounductors, for damental restructuring brought should be met either by business last year by investing 550m in a new chip plant in Plymouth, has a limited window of opportunity in which to get its act together. Plessey's and Fernanti stechnologies appear to go the semiconductor business of owned companies.

Ferranti in Neuropher a move of the plants of the plant plement Ferranti's high power bipolar gate arrays - suggesting that Plessey will not need to engage in too much basic surgery to whip its new business into shape, though it has dropped hints that Ferranti's

> But as, if not more, important than the question of the techno-logical fit is whether Plessey will we the courage and resources to beef up the marketing effort needed to drive a successful chip company - the area where British companies have generally fallen down in the past.

loss-making discrete business based in Manchester, is a candi-

date for rationalisation.

The fact that Plessey is clearly not content just with its acquisi-tion of the Ferranti business is a sign that Plessey grasps the size of the mountain it has to climb. It is determined to build up its presence in the US and has said it will look at joint ventures and acquisitions there as a means of doing so. It has also at various times shown an interest in Inmos, the chip subsidiary of Thorn EMI, and the semiconductor operations of Electric Company.

Domestic appliances

British market is wide open

TOSHIBA OF Japan started selling free-standing electric cookers
in the UK for the first time last
month. Matsushita, the Panasonic perent, is looking around
for "several" new manufacturing
sites. Safel of Spain is re-emering
and more muscular industry. the British market this year, 15 years after being forced out by cut-throat pricing policies, with a range of washing machines and refrigerators. Simpson of Australia is also weighing up the possibilities. Candy of Italy has budgeted to spend a record \$8m

on promotion.

Good news or bad? Both. The interest of these and other poten-tial suppliers confirms quite clearly that the British domestic rationalisation has accelerated. The number of employees in appliance market is on the way up. Sales and margins are improving, and everyone wants a piece of the action. Hotpoint, the GEC subsidiary, showed its feelings about the prospects when it took the plunge last year and bought Creda, TI Group's white goods business for £126m. Although much of the improvement can be put down to the popular success of 'new' products like the microwave oven and dishwashers, sales of suggest there are still between suggest sug

for replacements of old washing machines and refrigerators, helped along by innovative fea-tures such as frost-free freezers and electronic programming, is

likely to improve

The pity of it is that there are so few indigenous British appli-ance makers to take advantage of this. Hotpoint stands streets ahead of companies like Lec and Servis, US-owned Hoover holds a strong second place from its base output is increasing, it has a long way to go before it can meet domestic demand. Britain produced only about 10 per cent of the European Community's total output of 33m appliances in 1985, while UK demand accounted for 18 per cent of EC

Relative market stability, which has improved since the early 1980s, has improved margins. Prosperity has led to improved sales, and inevitably, Britain is increasingly seen at home and abroad as a market

signs that the European market as a whole has followed a similar the appliance makers' federation, which covers the Community plus Sweden, Austria and Switz

After declining by an average 2 per cent a year between 1980 and 1985, European white goods production increased 9 per cent in 1986. However heartening, a snapshot of one year's performance is no basis for over-optimism. But the background is encouraging CECED points out that the long haul towards rationalisation has accelerated.

products like the microwave oven and dishwashers, sales of all kitchen appliances have.

300 and 350 independents and groups operating in Europe. Gompared with the US, where across the board, perhaps a little ahead of the general boom in consumer spending.

Optimism, tempered by still-distant fears of recession in the wake of Black Monday, remains high. Apart from expectations of continuing high sales of newly-fashionable products, the market for replacements of old washing machines and refrigerators,

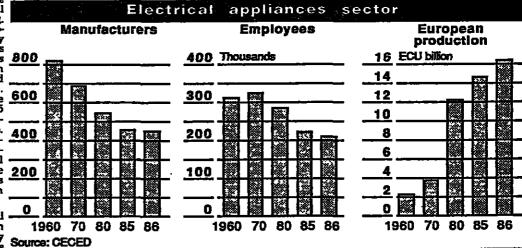
continue. The past year has seen Merioni Elettrodomestici of Italy take over Indesit. Electrolux has gobbled up Thorn EMI's appliances arm and Hotpoint has taken over Creda.

There will be more classic takeovers like these, but restructuring may also involve more co-operative efforts, perhaps similar to the long-standing joint manufacturing and marketing venture between Bosch and Siemens of West Germany.

The prospect of a radical link between Whiripool Corporation, the largest appliance maker in the US, and Philips of the Neth-erlands, Europe's No 2, receded eriands, Europe's No 2, receded when negotiations were called off recently, after more than a year. Although Philips declared that it was not looking for other partners, it is sure to find itself being assiduously courted in the future, since Whirlpool's initial aim of a joint venture to produce its machines in Philips's facili-



where the company has invested £10m in the latest product



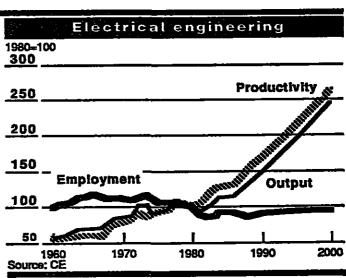
ties was intended as an overture to acquisition of the Dutch group's appliances arm.

General Electric of the US, a close second to Whirlpool, has global ambitions, and cannot be

discounted. Britain's Hotpoint has more modest targets. For the present it has to absorb Creda and consolidate its standing in the UK. But it also accepts that sitting pat on a national market, with no international interests, is not a particularly secure posi-

offers a possible opportunity. GEC and Philips already co-operate in a joint venture in world medical electronics markets, so a link in kitchen products cannot

Christopher Parkes



Mechanical engineeering

Ouieter year may be ahead

WILL MECHANICAL engineering continue to demonstrate in 1988 the schizophrenia that was such a teature of its character last

Yes it will, but it will not be so pronounced. That probably sums up the view of most managers working in the fiercely competi-tive sectors which make up what is still one of the UK's principal areas of employment and foreign

exchange earnings.
Two very clear but conflicting rends characterised mechanical

engineering in 1987.
On the one hand, many wellestablished companies enjoyed
much improved profits. Some
operations like those of tractormaker Massey-Ferguson at Cov-entry and Cummins' diesel engine plant at Shotts in Scotland found themselves either

land found themselves either working seven days a week or producing close to capacity.

At the same time, there was an aggression in the industry not seen for many years. For companies like APV, the food processing equipment maker, BTR and Hawker Siddeley, this took the form of a hig equipment raye. form of a big acquisition drive, with US companies the main tar-

As Last of this upbest trend, a

Komarsu, the Japanese construc-tion machinery maker and Yamazaki in machine tools. But along with all this went more restructuring more plant the drawing rationalisation, more redundancies and more sheer pain than tion.

astonishing series of ownership changes. In some industries, like earthmoving machinery and machine tools, a host of compa-nies was involved. In other secnies was involved. In other sec-tors, it was more a case of the still are locked in internal reor-

tors, it was more a case of the big one-off shift in ownership which has fundamentally altered that sector's structure.

In pumps, it was the purchase of Mather and Platt by Weir. In power generation it was the acquisition of Babcock by FKI. In 100d-maxing machinery it was the increase of APV with Baker, Perkina. Others that fall in the same frame include the sale of RHP's bearings. business, the same pronounced extent.

More acquisitions in the US.

still are locked in internal reorganisms. Some of the least six companies changed hands in 1987, including the former TI business, one of the largest indigenously owned machine tool operations. There are not many more companies up for grabe at the moment.

- Another trend which could continue is the growth of the irrends evident last year will also be seen that year but not to the same pronounced extent.

More acquisitions in the US.

More acquisitions in the US.

Mechanical engineering 1980=100 200 Output Employment

reshuffling the continuing need withdrawal of Ti from its to make unpleasant adjustments planned purchase of Bundy, the to changed circumstances was US tube maker is likely to be a to changed circumstances was

Norwich, and the Caterpillar panies. dozer factory in Glasgow. Jones, the 600 Group mobile crane maker virtually stopped produc-

has probably been seen since the grin. recession days at the turn of the decade.

For ethers, it was income and fine Two power generation equipment companies, Babcock and NEI Parsons amounced substantial redundancy pro-grammes. So did Case, the US maker. Tractor maker at two of its sites

in the North.

UK's biggest, in a management which last year often revolveda-buy-in, and the acquisition by cound the purchase of companies Electrolux of Sweden of the Ran-making electronic controls, are somes, Sims and Jefferies farm certainly on the cards. But the machinery business. stock market slide will mean there will be fewer of them. The Apert from this fundamental

As part of this uppear trend, a change through the more in evidence last year sign of the times.

Rumber of new foreign-owned much more in evidence last year sign of the times.

Further restructuring is bound number of new foreign-owned than in 1986.

This took many forms. For the UK These included that of Ransomes and the lapanese construction machinery maker and Repler, the dragline maker at the dragli

There has been a persistent fered a drop in sales last year and is concerned about 1988 even though there has been a persistent fored a drop in sales last year and is concerned about 1988 even though there has been a recent pick-up in orders. Many could secure a reasonable price.

It is difficult to see, though, demand is expected to stay very how there could be as much healthy. For example, the UK reshuffling as last year. In market for construction machin-machine tools, for example, at ery has been pretty buoyant and

nies have been darlings of the analysts and in financial terms have performed very well. Their tendency to diversify, shown most strikingly in Williams' pur-

most strikingly in williams pin-chase of paints companies, Crown and Berger, will remain. Analysts appear to be expect-ing a strong earnings growth this year for companies in mechani-cal engineering. Hoare Govett, for example, is predicting an-overall jump of 20 per cent, and 13 per cent for 1989 above last year.

The relative health of manu facturing sectors within mechan-ical engineering however will continue to vary very substan-

ment, it is going to be another difficult year. The programme of new power stations is good news for equipment suppliers but the tendering and ordering schedule mesns that work will not start in earnest on shopfloors until 1990. GEC Turbine Generators claims to be about the busiest

company in this sector right now but its Rugby operation is only operating at around 65 per cent of capacity.

Debate about the kind of struc-

ture the electricity generating industry should have on privatisation has also sparked some nervous fidgeting about the affect this might have on the nuclear

The machine tool sector suf-The company has tended to deny busy but margins are a night-this, not entirely convincingly. mare. Plant makers are worried Last year it sold Dorman to about the state of ordering from Broad Crown, the generating set



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Period of new-found confidence

turing appear as strong, or as confident, as the chemicals sec-

Having encountered a rough period at the beginning of the 1980s, the industry has restruc-tured itself, shedding a lot of its workforce in the process, and appears well placed to take advantage of what look like being favourable trends for the worldwide chemicals business

over the next few years.

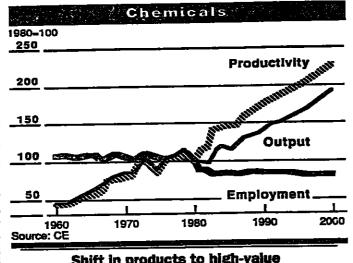
The chemicals sector is The chemicals sector is Britain's fourth biggest manufacturing business, after food, drink and tobacco, and mechanical and electrical engineering. Roughly half the industry's output last year of \$20bn was exported, making the business one of the most globally minded of the various UK commercial sectors.

While in the 1980s the UK

While in the 1980s the UK trade balance in manufactured goods has slipped deeper and deeper into the red, in the chemdeeper into the red, in the chemi-ical industry the reverse position is true. Last year it had a net export surplus of \$2.3bn, as opposed to a net deficit of some \$10bn for the manufacturing sector overall.

During the 1980s the chemical industry in Britain has grown at an average rate of 4 per cent a year, second only among UK manufacturing sectors to electri-cal engineering, which achieved growth of 6.5 per cent. According to two recent forecasts, from the National Economic Development Office and Cambridge Econometrics, this reasonably healthy expansion is likely to continue into the 1990s, albeit at

slower rate of 3 to 3.5 per cent.
While demand for chemicals is notably cyclical - resulting in the output and profits of the industry being closely linked to the ups and downs of the world economy - there is a general belief that the UK chemicals sector will be better positioned to emerge in reasonable shape through the next period of downturn, whenever that may



Shift in products to high-value end of the sector and away from commodity items

industry analyst at Barclays de tive who is director-general of Zoete Wedd, goes along with this general optimism, though she says there are grounds for slight worry" in the immediate future regarding the effects of what appears likely to be a slow-down in the US economy spilling over in the US economy spilling over

employment in the industry since it encountered the depths of economic recession around 1980. From 413,000 employees in 1979, the chemicals business in 1986 accounted for 337,000 people, while production is roughly 10 per cent higher.

Another high-value area among chemical products is pharmaceuticals which, account-

Onlookers say the fall in num-bers signifies a leaner, more efficient industry, which as a result of more flexible working practices can react more quickly to

or high-value end of the chemi-cals business and away from In part, the good prospects for commodity items such as poly-the UK chemicals sector derive ethylene and polystyrene. The from the overall reduction in speciality side of the business speciality side of the business includes a bewildering range of materials from engine lubricants to soap powder and catalysts and from agrochemicals to food additives and engineering plastics.

ing for roughly a quarter of the output of the UK chemicals sector, is treated as an industry in its own right. Switching can be generally seen in the resources from bulk chemicals to the country position of the country in the area of whether are collected. the speciality area of the indusownturn, whenever that may "The UK chemical industry has try makes sense for an advanced, specialised organics. These industrialised nation like Britain chemicals, often with a highly makes sense for an advanced, specialised organics. These industrialised nation like Britain chemicals, often with a highly as, in theory at least, it should be

latest scientific research to turn out goods aimed at particular

at least to some extent, from downturns in the market which will affect the staple, bulk areas of the business to a higher degree. In future, according to Mr John Goldhill, an analyst specialising in chemicals and plas-Mr John Goldhill, an analyst specialising in chemicals and plastics at the London office of Arthur D. Little, the US consultancy, chemicals concerns will tancy, chemical concerns will tance to consult the concerns to the concern be forced to shift towards the speciality products to a still greater extent. He foresees a greater customisation of products as the focus in the industry swings more towards addressing pecific needs in the marketplace rather than turning out large volumes of basic commodi-

Many successful chemicals many successful chemicals companies will behave more like service concerns in selling highly specific materials (backed up by a large degree of customer support) rather than like traditional manufacturers, thinks Mr Goldhill Arms where such trade dhill. Areas where such trends can already be seen include, for example, the provision of resins and speciality fibres for the manufacture of high-strength composite materials used in industries under a semenage and care

tries such as aerospace and cars.
In this context, Mr Cox of the Chemical Industries Association sounds a note of concern when he says he is worried that in Britain the user base in highvalue areas like composites does not appear particularly strong. This may, in future, force UK chemicals concerns to look increasingly to overseas markets

The shift in the UK towards in the area of what are called

for their sales.

drug and dye products. They also form the basis of items such as out goods aimed at particular sectors of the market-place and which can be sold at a high price.

In this way, the industry should be able to insulate itself, at least to some extent, from at least to some extent, from the basis of ments of iffield chemicals (to speed up to filled chemicals (to s to \$216m in 1986 with output in this sector last year a healthy \$1.7bn, a 30 per cent increase on the figure for 1980.

swing towards speciality chemimance in areas such as speci-alised inorganics and drugs. The trend has been followed by Shell UK - which with BP and Esso forms the 'second tier' of UK chemical concerns and has sales of about £600m a year. Other, smaller companies which have impressed analysts with their performance in shifting more into the non-bulk kinds of areas include Allied Colloids, British

Vita and Laporte.
Parts of the British chemical industry which, in contrast to specialised organics, are in a far less healthy state are by and large the commodity-type areas such as fertilisers and the raw petrochemicals such as commod ity organics and plastics pro duced as the staple products of plants like ethylene crackers. In fertilisers, in particular, the UK industry has had to undergo radical restructuring as both demand and prices for the com modity have fallen dramatically over the past few years. The poor state of the UK fertiliser sector, where last year there was a trade deficit of \$130m, has been due largely to problems in the world agriculture industry and the existence of new fertiliser suppliers from the Far East and the Arabian Gulf. These particularly cheaply.

The UK boasts world-class companies in the pharmaceutical sector

Healthy exports prospects

the past at any rate, been largely tinue to find fault with the owned Glaxo, ICI, Wellcome, ing migraine could account for hit and miss affairs. This guidelines. Despite the unusual Beecham, Smith and Nephew, sales of hundreds of millions of explains the general nervousness level of constraints within which — rather similar to that of a top the drugs sector operates, the

of regulation with which the pharmaceuticals business has to contend. The industry has a specific distribution of the chemicals industry, accounting for a second of the chemicals industry, accounting for a second of the chemicals industry, accounting for a second of the chemicals industry. of regulation with which the alised slice of the chemicals drugs industry analyst at Greenindustry, accounting for annual well Montagu, the London stockoutput of about £5bn or roughly broker, believes that the immediment rules setting out guidelines on areas such as patents, animal experiments and the lengthy and length for by the National companies expanding at the rate of 15.20 per cent a year. "We expensive clinical trials which

are like military equipment in is also one of Britain's biggest that, worldwide, most sales are employers of research staff, spending about \$500m in this Department of Health and Social Security, the main customer for UK pharmaceutical companies, controls not only prices but other aspects of their activities such as the cash they spend on sales by 25 per cent between the horizon for the UK companies of the UK companies is also one of Britain's biggest the horizon for the UK companies the horizon for the UK companies to a large degree due to its evidence and arguments more effectively than it has done in the specific products now passing through their research and development pipelines, prospects for treating herpes. Specific areas for the future to do so will strough their research and development pipelines, prospects for treating herpes. Specific areas for the future to do so will strough their research and development pipelines, prospects for many of which have excited industry confindustry observers. In the case of industry observers in the case of patients.

IN THE closing months of 1987,

the spectre of the cuts and clo-sures ravaging Italian shoe man-

ufacturers cast a shadow over their counterparts in Britain. For decades, Italy had housed the most vibrant footwear indus-

and the Far Eastern currencies linked to it. Italian shoes were

off. Factories have closed. Short time working has become com-

all, wrought havoc in its ranks -was shortlived. For the prospects

of Britain's shoe makers are far

goal scorer in football about 1980s so far have been a highly whether he can keep finding the successful period for the businest – as to the degree to which the industry can continue with a high rate of innovation.

Then there is the large and the foreseeable future.

The drugs business in Refain for the foreseeable future.

The drugs business in Britain

industry behaves as if it were (FFRS). The latest scheme, thais is likely to be about \$850m and the like the like harmaceuth this year compared with roughly appear on the market place in a quarter of this figure in 1975.

The latest scheme, thais is likely to be about \$850m appear on the market place in a quarter of this figure in 1975.

Unlike other areas of industry in the formulations for treating such as engineering and electronics, Britain boasts a number of world-class companies in the may help combat depression and entific discoveries that have, in pany representatives still conductive the latest scheme, theat is likely to be about \$850m appear on the market place in 299 and 1991 respectively.

The formulations for treating sickness in cancer patients tronics, Britain boasts a number of world-class companies in the may help combat depression and drugs sector, including the UK-

dollars a year in the 1990s, say eign-owned, concerns with a significant presence in the UK could be a useful follow-up for include May and Baker (a subsidiary of Rhone-Poulenc of France) and the US multinationals Squibb, and Smith Kline and French Laboratories.

Mr. [an White a weepsated]

dollars a year in the 1990s, say another challenge for the industry is to improve its information service to the public about its aspirations and about the general nature of its business. What is, by most people's standards, a highly successful UK industry is often put in a poor light by references to drugs. Fisons and Boots. Other, for-dollars a year in the 1990s, say Mr Ian White, a respected annual sales over \$1bn.
rugs industry analyst at GreenAnalysts are also bullish about

drugs industry analyst at Green-well Montagu, the London stockof 15-20 per cent a year. We

BRITAIN'S pharmaceuticals promotion and on research and industry is a curious paradox. In development.

These controls are exerted and exports it is one of the countrols are being an through a Byzantine set of rules try's most successful businesses. Yet for much of the time the price Regulation Scheme industry behaves as if it were (PRS). The latest scheme, industry behaves as if it were (PRS). The latest scheme, industry behaves are interesting and textiles. In another indicator of success, the trade surplus for UK pharmaceuticals is likely to be about \$830m and the indicator of success, the trade surplus for UK pharmaceutical surplus for UK pharmaceutical

world's best-selling drug, with UK industry is often put in a

prospects for Tilade, an anti-asthma product marketed by tic marketing of medications to Fisons, and Eminase, a drug invented by Beecham for treating victims of sudden heart attacks. Steady growth is also foreseen for ICI, which has specialised in medications linked to Britain's National Economic expensive clinical trials which are required to ensure products are safe.

Added to this is the Government's role as a customer. Drugs are like military equipment in that, worldwide, most sales are that, worldwide, most sales are via state agencies. In Britain, the spending about \$500m in this spending about \$500m in this spending about \$500m in this spending about \$200m in this spending ab

straints on the university system, some industry leaders suggest, are already making it more difficult for companies to find the brainy and well-trained graduates which they need to keep their research teams up to scratch and to lay the groundscratch and to lay the ground-

Another challenge for the poor light by references to drugs firms' use of animal studies or their occasional over-enthusias-

Development Council last year.

It will be increasingly important
for it to marshal and present its

Problems for Britain's shoe-makers

Imports battle rages

try in the world. In the 1950s and 1960s, Italian producers moved onto the world market, aided by low labour costs and an indigenous flatr for design. threat of protectionism in the US influx of imports in the coming relatively resilient in the spring and summer of 1987, but faltered from mid-autumn onwards. C. Yet last year the lira rose so direct their energies towards strongly against the currencies of many of the major export markets that Italian footwear Europe - fuelled an unprece-dented surge of imported foot-wear into Britain. companies were powerless to prevent the collapse of their

In the first half of the year, import penetration soared to rep-resent 67.5 per cent of the Britoverseas sales. Exports to the US fell by a quarter and to the UK by more than a fifth. resent 67.5 per cent of the Brit-ish market by volume and 54 per cent by value. Both figures are far higher than the previous peaks in 1984. The level of imports from the emerging foot-wear markets of China, Indone-sia and Thailand more than dou-led in the first three-quarters. The problem posed by the lira's strength was compounded by the weakness of the US dollar not only priced out of overseas sia and Thailand more than the first three-quarters of with an influx of imports into the year.

The impact of this increase

Italy.

As a result, the industry is in chaos. Employees have been laid was softened by a fall in imports from the EC, from Italy and France in particular. Moreover manufacturers in the Far Eas tend to concentrate on the pro-Any satisfaction the British shoe industry permitted itself at the sight of the Italian crisis duction of slippers and sports shoes, rather than on the leather

footwear made by the bulk of the British industry.

These "mitigating factors ensured that shoe-makers in Britain emerged relatively unscathed from the problems of 1987 Order-books became rather the emergence of the Italians in the 1960s and 1970s had, after from rosy. The industry started 1987 in 1987. Order-books became rather The industry started 1987 in thin from the summer onwards, an ebullient mood. The influx of imports – which had begun in the 1950s and gathered momentum in the 1960s and 1970s – But the full effects of the fall the 1950s and gathered momen-tum in the 1960s and 1970s -reached a peak in 1984 and had reached a peak in 1984 and had thence begun to decline.

But in 1987 the combination of less confident that they will be

the dwindling dollar and the able to withstand a further

The conclusions of the latest Cambridge Econometrics study

of the prospects for the clothing and footwear sectors are scarcely encouraging. It anticipates an Prospects for the shoe

industry are far from rosy, with imports rising this year from 32 to 36 per cent.

increase in import penetration from 32 to 36 per cent this year for both sectors and a more modest increase in exports.

The problem of a further surge

could be exacerbated by an increase in imports of leather footwear. Brazil began to "divert" some of its leather shoes, hitherto bound for the US. to Europe early last year. Similarly imports from both Spain and Portugal bucking the trend for the other EEC exporters - in 1987.

Another cloud over the industry is the threat of a downturn in consumer spending, coupled with over-stocking within the

and J. Clark, the second largest retailer, reported a particularly poor performance from women's

In past years, sluggish sales in first new production plant in one season have led to destocking in the next. There is serious the lack-lustre nature of retail concern that retailers may be, at trade. best, cautious in ordering for spring this year. The combination of a surge in

cheap imports, a slump in con-sumer spending and a sluggish retail sector is scarcely cheering. Mr Nicholas Calvert, director of trade at the British Footwear Manufacturers Federation, said that the industry is "year conthat the industry is "very con-cerned" that all three factors will implode on its prospects in 1988.

Cambridge Econometrics expects that domestic demand for clothing and footwear will fall by 1.7 per cent this year and that employment in the two industries will, in consequence, be reduced by 5 per cent. It is the hundreds of tiny shoe

manufacturers that are likely to bear the brunt of the industry's problems. The larger concerns-like the British Shoe Corporation, a Sears subsidiary, C. and J. Clark, the FII Group and Lambert Howarth - should be less vulnerable. vulnerable.

with over-stocking within the retail sector. Footwear sales were panies have invested heavily in

new technology in order to improve productivity and thereby become more competi-tive with their counterparts in Italy, France and Spain. The industry as a whole increased output per employee by almost a quarter between 1982 and 1986, for the larger manufacturers the increase has been higher.

These companies are pinning-their hopes on new technology to help them to survive in an increasingly competitive climate. Clark is still committed to its expansion programme — which involves the construction of its first new production plant in Britain since the 1960s — despite

Similarly the FII Group will similarly the Fil Group will continue to pursue the modernisation programme for its plants in South Wales, the East Midlands and Northern Ireland. Mr Monty Sumray, its chairman, is convinced that reducing the labour intensity of the production process through the introduction of new machinery is the only sendille mute for the indus-

only sensible route for the indus-

But the British Shoe Corpora tion is more circumspect. Having overhauled its shoe retailing interests in early 1987, it embarked upon a review of its manufacturing activities towards the end of the year.

Mr Christopher Marsland,

Mr Christopher Marsiand, managing director, concurs that new technology is essential for the future of the industry — "but," he said, "the level of investment required is now so high that it would take a brave decision to invest in the current climate."

Textile industry

Days of decline are over

in THE past year or so, whenever Government ministers have cast about for examples of resur- 2bn (1980 prices) gence within manufacturing industry, textiles has emerged as 8

a popular choice.

The textile industry, or so these ministers are fond of saying, has hauled itself out of the doldrums of the early 1980s. Moreover, they say, the combina-tion of a new managerial spirit and sustained investment in new technology has transformed it from a relic of the past into an

industry of the future.

No-one would deny that the days of decline are over. The mill closures and job losses which blighted the industry in the early 1980s are part of the sest imposts are still right but. past. Imports are still rising, but so are exports. Both profitability and productivity have risen sig-nificantly.

But an industry in resurgence

the late 1970s - when so many manufacturers engaged in ambi-

nopes were dashed by the dual threat of a downturn in consumer spending and a continued surge of imports from the Far The textile industry of texture of import increase had unacturers have simply benefited from a short-term currency advantage or have succeeded in establishing a long-term foothold in the European marketplace.

One encouraging sign is the construction of import increase had the construction of the dual fell further.

The textile industry of today is accelerated, rising by 19 per cent a pale reflection of its post-war to \$1.7bn. pale renection of its post-war to \$1.70n.

peak in the early 1950s. Nevertheless, it employs almost industry has emerged unscathed
500,000 people, nearly a tenth of from this surge in imports. Outthe manufacturing workforce and is one of the chief sources of until the end of the year and,
employment for women and ethnic groups.

Cotton production is still concen-trated in Lancashire; wool in

streets of Britain's inner cities are littered with tiny clothing sweatshops.

In many ways 1987 was a year of consolidation for the industry. Whether the industry will be consolidation of the Coats Viyella was still embroiled able to shrug off a further rise in integration of the Coats Patons and Vantona Viyella businesses which it merged in the spring of the previous year. Courtaulds augmented its inter
"Courtaulds augmented its inter
"Co ests by investing in the lace was cushioned by the combina- and West Germany, in the level industry, but its main acquisition of the encouraging, if more of modernisation but it has made tions were directed towards modest, growth in exports and great advances. Moreover, the other sectors. Even Coloroll and the buoyancy of consumer severity of the slump has left the industry with with a siege mentive of the textile groups, called a halt to their expansion pro-

By the end of the year output suspect that this slowdown could had mustered a very modest turn into a slump. At best, increase, while employment had suffered a slight decline, reflecting improvements in productivity. Yet the influx of imports into Britain rose rapidly, full fears that the rise will unfolds, the domestic textile

Output **Imports**

employment for women and extra state than some signs of over-nic groups.

The tradition of regional speci-ric manufacturing, stock levels alisation has survived the slump, were stable for retailers and Cotton production is still concen-manufacturers alike.

But the dollar has fallen fur-ther since the end of September. Yorkshire and the Scottish Borders; and knitting in the East Moreover; the risk that the US Midlands. Moreover the corporate structure of the industry is Textile Trade and Apparel Bill, as diverse as ever. Its twin which is about to go before the selection of the structure of the industry is Textile Trade and Apparel Bill, as diverse as ever. Its twin which is about to go before the selection of the structure o as diverse as ever. Its twin which is about to go before the colossi, Coats Viyelia and Cour-Senate, though much reduced taulds, are the two largest textile has not entirely disappeared. If groups in Europe. But the back enacted, this legislation would streets of Britain's inner cities not only restrict the entry of

rammes. The pessimists in the industry
By the end of the year output suspect that this slowdown could

But an industry in resurgence is, by definition, an expanding be even more rapid in 1988. Industry will be left fully industry. As yet, there is no evidence that Britain's textile manilast year, the flow of imported lufacturers are sufficiently confident to invest in new capacity. The memory of the mistakes of \$4.7bn. The reasons for this past few years exports of British the late 1970s - when so many increase were twofold. First, the textiles to the European Comthe late 1970s - when so many manufacturers engaged in ambidechie of the US dollar, and of the Earseased, helped by the more competitive sterling exchange and South Korea more competitive sterling exchange are against the key European competitive sterling exchange are against the EC has been halted. It remains to be seen whether British textile and clothing manufacturers have simply benefited within the US.

The import problem worsened from a short-term currences increased, helped by the more competitive sterling exchange are against the key European currencies. Similarly, the EC has been halted. It remains to be seen whether British textile and clothing manufacturers have simply benefited from a short-term currency increase were twofold. First, the textiles to the European countries have more competitive sterling exchange are against the key European currencies. Similarly, the EC has been halted. It remains to be seen whether British textile and clothing manufacturers have simple and the European competitive sterling exchange are against the key European currencies. Similarly, the European competitive sterling exchange are against the key European currencies. Similarly, the European competitive sterling exchange are against the key European currencies. Similarly, the European competitive sterling exchange are against the key European currencies.

Exports

1990

the growth of exports to Europe has continued in the past few months, even after the pound strengthened against many Euro

pean currencies.

Given that the British industry is now much more competitive on cost than most of its European competitors, this increase should continue. Moreover there is lots of scope to displace pean imports within the domes-tic marketplace.

Even if the industry's worst fears materialise - the flow of imports accelerates and con-sumer demand dwindles - it is undoubtedly in better shape than ever before to withstand a downturn.

In the recession of the early 1980s the textile industry not only suffered from the general economic malaise, but from the

tality" which has manifested itself in the reluctance to invest

This attitude may have made the industry less dynamic, but it has also ensured that it will be far less exposed should economic conditions become less clement. Alice Rawsthorn

Despite dire warnings from politicians...

Farmers still await budgetary results

phrases, a most difficult time. The whole system of open-ended guarantees for food was to be overhauled and surpluses elimi-nated. Some land would be taken

farmers are still awaiting a reso-lution of the budgetary crisis which could threaten both prices and production. But British

and production. But British farmers on the whole seem to be remarkably relaxed about the whole situation.

In the first place they have heard a good deal on the same theme previously – and nothing has happened. They realise that their fellow farmers in the EC have no great fear of their politicians. The reverse is the case, particularly in France and Germany. And until now, British farmers have been quite happy to shelter behind the political strength of their European colstrength of their European col-

leagues.
Financially too, British farmers seem to be very well placed by comparison with, say, US and other overseas farmers. Their burden of debt is not large. The banks say that not more than 10 per cent of their farming custom-ers are in serious trouble. It is probably true to say that

it is probably true to say that farmers are owed more by the banks than vice versa, a phenomenon which has a long history. This gives them an enormous strength at a time when margins are being eroded. A farmer without debt does not worry about his fixed land costs here we then do not actually over Alice Rawsthorn because they do not actually cost him anything.

WHEN Mr John MacGregor was appointed Minister of Agriculture last June, he promised farmers, in almost Churchillian phrases a most distinct on their appreciation these ised on their appreciation these fluctuations have, in the main, passed them by. Even if they have been caught out, the very high prices being paid for houses and buildings in rural areas must have postralised many of their out of farming and other uses would be found for it. Possibly it would provide amenities for the inhabitants of these overcrowded islands.

That was six months ago and farmers are still awaiting a resocial matters.

cial matters.

In addition, they have become used to dire warnings which have led to nothing. After the 1984 harvest, which was a good one, 1985 was poor and much of the grain which went into intervention in 1984 was used. In 1986 a good harvest promised a good deal of trouble but a drought in Spain and Southern Europe took Spain and Southern Europe took

thought that the end of the this, nor does the EC as it means world had come but now they would not be without them. Although quotas have not yet reduced supplies sufficiently but there is a marked difference over the Community for complete market stability they have and the Congression. plete market stability, they have given dairy farmers an increase in equity. In the UK at the

ply before long. This is not to the

a high price for the product by means of restriction on output. Not that quotas as such have been proposed for cereals and meat products. Instead, there are suggestions of a voluntary set-aside of land which would otherwise be sown to cereals. So far, the compensation for farmers taking up these proposals do not seem very generous and they are also rather short-term

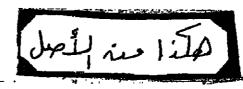
of longer-term interest is a proposal for planting woodlands with up to 40 years for replanting broad leaved woodlands and hardwoods, which have been disappearing in favour of the universal pine trees. There is apparently quite an interest is abtaently quite an interest in this but some landowners question how long the planting grants will last. There is an old phrase to the effect that no Government can Spain and Southern Europe took care of that.

The 1987 harvest was probably the worst of the decade and there is a definite shortage of quality grain, so prices for what was saved are very good. No i wonder they think Mr MacGresor is crying wolf.

Inside this broad picture some a sectors are having differing formed times. When milk quotas were national responsibility. Not all instituted in 1984 dairy farmers member countries agree with this, nor does the EC as it means national rather than Community

but there is a marked difference in approach between farmers and the Government. The latter

given dairy farmers in equity. In the UK at the moment a quota is worth about their worst land. But the moment a quota is worth about the poorer soils do not see why small wonder, then, that the should be penalised from growing grain, just because their land is not the best.



UK INDUSTRIAL PROSPECTS 7

Operating margins up

UK Food Industry

Food

Food advertising

UK food & soft drink companies'

advertising expenditure

Meal Spend at current prices

proposed greater use of new technology and robotics. The Japanese were coming, he said in London. They had rolled up one market after another and now

they were turning to food.
Whether the Japanese have

serious ambitions or not, his message was apt: 'The British must get used to producing short batches, with fast changeover and low cost production, he

mates suggest there may be twice as many as are needed, to the over-supplied bread business where extensive rationalisation

by the market leaders is still fre-

quently undermined by aggres-

sive undercutting by indepen-

There will be more cutbacks, and the pace of change within

companies is likely to accelerate. If it does not, the wave of merg-

ers and takeovers that Mr Has-kins mentioned may start sooner

Christopher Parkes

Imports

Rest of World

Other OECD

US

Consumer Industries Editor

dents.

Productivity

Output

Food production and retailing

A new wave of mergers predicted

ket crash and the rising mist of bel foods, processors have staged recession - Mr Christopher Has- a recovery. Part luck, part strat-

Five years on, he could see both manufacturers and retailers seeking progress in stagnant markets through more mergers and acquisitions. There were still three years or more of growth for multiple retailers in new openings and relocation of existing stores, he said. But the spec-tre of Britain becoming over-shopped and growth slowing, loomed large after that. Possibly good for consumers, it offered a dim prospect for the industry. Mergers followed by rationalisa-tion could improve the situation.

Although more than half the total UK grocery market is controlled by the big five supermarketeers - 66 per cent if the Co-op is counted in - none has not been applied to the transfer of the transfer than 15 per cent of the transfer than 15 per cent of the trade, so on present ratings, there could be room for manoeuvre before the Monopolies Commission might put its foot down. Food manufacturers are

already deeply engrossed in restructuring. Rising operating margins - up more than 30 per cent since the start of the decade amply illustrate the merits of

getting out of peripheral areas and concentrating on the basics. If only to counter the increased might of the new super-duper-markets, the processors would be under pressure to add muscle by merger. But other pressures are already other pressures are already apparent. The US group General Cinema's stalking of Cadbury Schwenpes and Australian Goodman Fielder's harassment of Ranks Hovis MacDougall may come to nothing, but they indi-cate considerable confidence in the prospects for British food

manufacturers. Bulk may help - RHM, digesting Avana at present, has and partly because the own-label declared itself in the market for further acquisitions – but perforers brands have been less buoymanor is likely to remain the nest defence against aggressors.

The food industry has tilency of performance in the recent past. After years in the merciless embrace of margin-



Farmers' prospects

Continued from page 6

In this farmers are being realistic because in practice, particu-larly for atable land growing tereals, differences in yield between grade I and grade 4 soils are not very large. Generally, cutput reflects the skill of the sarmer cather than of traditional boil quality. In spite of the cereal surplus being the obvious prob-lem at the moment, there are signs that worldwide the cereal problem is coming under control thanks to the US set-aside policy Consumption this year is more than production for wheat and coarse grains and prices are firm-

There are, it is true, increasing stocks of beef in intervention in the EC but this is a direct consequence of the cuiling of dairy cows Overall, cattle numbers are falling and this will affect quantities marketed over the next few years. Some quite stringent restrictions have been placed on returns for oilseeds which could affect the French rather more than ourselves. The stabiliser proposals which would attempt a regalise over-production do to penalise over-production do not seem to have had a favourable reception at the Copenhagen summit and could well come to

But it must be remembered that, when it comes to seeking farm price reductions, the UK is in a minority at the EC. The West Germans and French, in particular, have what seem to their good reasons for maintaining prices at present levels which are at least double those ruling on today's depressed world market. The refusal of these countries to countenance further price cuts may be as good support as British farming is likely to get.

John Chemington

soft drinks, edible oils and fats, meat, poultry, canning and freezing to name but a few.

"Since 1976, nearly a fifth of the industry's full-time equivalent workforce has gone. Capital has been substituted. After an average 1980-84 real spend of \$581 at 1980 prices, the last three years have seen an average annual outlay nearly a quarter

ers have been busy getting rid of non-core activities and buying businesses to strengthen their existing lines or extend their customer base. The RHM purchase of Avana, for example,

The major processors have come to terms with private branding - unavoidable since 300 Meal Spend

Media spending by all food and soft drink companies rose to \$400m in 1986 from less than \$350m in 1985 and \$200m in 1980. Partly in response to this,

According to Mr Tim Potter of of 1986. About half US homes Shearson Lehman, the UK food have a microwave, and the promarket is dividing into two distinct sectors: the staples where price is the main consideration.

The dividing to Mr Tim Potter of of 1986. About half US homes chairman of the UK arm of Campbell's of the US, recently proposed greater use of new technology and robotics. The price is the main consideration.

The dividing to Mr Tim Potter of of 1986. About half US homes chairman of the UK arm of Campbell's of the US, recently proposed greater use of new technology and robotics. The price is the main consideration.

where price is of little importance.

He told a KAE Development
conference in London last year estimated to have increased by
that even the staples business
offered good opportunities. In
bread, for example, where is still less than 30 per cent, so
healthy eating trends had fuelled processors see plenty of growth

Exports

Rest of World

Other OECD

Source: DTI

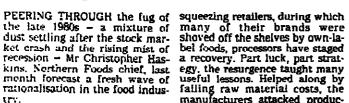
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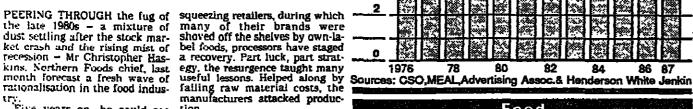
79

Percentage of total labour force



in six years."
At the same time, manufactur-

about a quarter of all groceries are now sold under retailers' own labels. But the example of confectionery and soft drinks makers, which have successfully defended their interests with heavy promotion of their estab-lished brands, has not been lost on the others.



Mr David Lang, analyst at Henderson White Jenkins, potted down the tactics recently: "Wholesale closures of capacity have occurred in milling, baking, dairies, biscuits, confectionery, soft drinks, edible oils and fats,

150

50

400

100

Source: CE

Employment

at 1980 prices

higher.
Productivity is up 20 per cent

gave it some handy brands, but the real interest lay in the Welsh company's supply of own-label foods to Marks and Spencer and other leading retailers.

Sources: CSO,MEAL, Advertising Assoc so-called North-South divide, is in the chain ers' brands have been less buoyant. Asda's late move to introduce such products across the board is believed to have produced less than satisfactory results and Dee Corporation is retailers to stock them for their relative and uality, consumers demand more duced less than satisfactory results and Dee Corporation is retailers to stock them for their are ever eager to innovate to produce such produced to have produced less than satisfactory results and Dee Corporation is reviewing its tactics. No such problems at Marks and Spencer, sales of frozen meals, ready to eat after after a quick blast in the microwave oven, grew 70 per the microwave oven, grew 70 per the UK arm of

and the premium quality area pattern, and food makers are pil-where price is of little impor-ing in with increasingly sophisti-

healthy eating trends had fuelled demand for fibre, sales of brown and wholemeal loaves rose by more than 10 per cent a year since 1983, and jumped 25 per cent in 1986. Into the basid convenience foods: cent in 1986. Into the basid convenience foods: mature industry, he said.

Healthy innovations, such as fortified white bread of the Mighty White variety, containing whole wheat grains, have more recently given sales and margins and retailers. Salmonella infectives a many as are needed, to

whole wheat grains, have more from manufacturers, distributors recently given sales and margins and retailers. Salmonella infeca lift. Other stodgy sectors, such tions from food have been as tea, have also revived. Falling increasing steadily since 1981. Draw material prices have helped, Bernard Rowe of the Central but growth has been squeezed Public Health Laboratory told a but growth has been squeezed out of the business by the introduction of one-cup tea bags and the mass-market promotion of speciality teas like Earl Grey.

The introduction of low-fat production of low-fat production of low-fat production costs of complete production costs of c

duction of one-cup tea bags and the mass-market promotion of speciality teas like Earl Grey.

The introduction of low-fat sausages and similar derivatives has given a fillip to sales of traditional foods.

The premium part of the market, which is evidently not confined to the southerly half of the sales of traditional foods.

UK trade

Percentage of total value

W.Germany

France

Netherlands

Unemployment

W.Germany

The brewing industry is braced for big changes

Employment

1970

50

Speculation rises over outcome of 'monopoly' investigation

Alcoholic and soft drinks

1980

Why City analysts remain

relatively bullish

about brewery stocks

THE MONOPOLIES and Mergers-Commission investigation into a profound effect on the sector in the near future by setting new 200

ground rules for its operations.

The inquiry, which is examining the "tied house" system, the method by which most brewers sell the majority of their beers in their own public houses, is due for completion in mid-1988.

Sperulation has raged within the industry as to the report's recommendations, should it decide that the complex monopoly that the Commission believes exists in the industry is against the public interest.
The worst scenario, suggests

the industry, is that brewers could be forced to let other brewers' brands into their public

Critics of such a move claim. be to concentrate more power in the hands of the powerful major brewers who own, or brew under licence, nationally-advertised branded beers.

The MMC inquiry had helped

dampen the share price perfor-mance of drinks companies since the investigation was declared in August 1986. However, the sector's share price rallied relative house retailing skills, have much to the market after the crash A stronger lager portfolios than the Elders IXL, which owns Courflight towards domestic stocks smaller regional brewers. A few age, the major brewer, has a 12 flight towards domestic stocks smaller regional brewers. A few combined with a lack of dollar regional brewers have their own combined with a lack of coma exposure among the majority of lager brands but, without the true, brewers were among the contribit is argued, they would find it difficult to compete against difficult advertised

Most City analysts remain relamajor nationally advertised tively bullish about brewery brands such as Carling Black stocks. Mr John Spicer, of Klein-Label, Castlemaine XXXX, Foswort Grieveson, the stockbroker, ters and Skol. says: Brewers have considerable defensive qualities. However, heavily dependent on their ale should the markets sort them- brands, with many last year tellselves out, the brewers will ing of falling sales volume in under-perform because the City their reporting of sluggish profit will get more concerned about figures for the year. It is a situathe MMC inquiry and stagnant tion which could tempt some

indeed, in the two rallies on abandon brewing their own the Stock Exchange since the brands and buy-in other brewers' crash, brewers' share prices have products, or sell out.

per cent stake.

Whether or not Courage, with plans to make its Foster's brand

1990

Productivity 📉

Output

the best-selling brew in Britain, could acquire a regional brewer is debatable. A recent MMC inquiry into the first bid for Matthew Brown by Scottish & New-castle Breweries, said there could Most regional brewers are still be a strong case on public interregional brewer. However, if Courage floated

off its public houses in 1988, as it proposed last year, the brewer might be able to buy a regional family-controlled brewers to company.
Three of the seven major

dropped, relative to the market.

Beer volumes have remained stagnant since the early 1980s with few prospects of an increase in consumption in 1988. However, lager has continued to take an increasing share, estimated this year to be over 43 per mated this year to be over 43 per cent of the total sales for beer.

Three of the seven major between also have sizeable interests in wine and spirits with large acquisitions in 1987 consolidating the position of British companies among the major world players in the international drinks market.

It is unlikely that major companies such as Guinness IDV.

It is unlikely that major com-panies such as Guinness, IDV. reaction to having greater to be over 45 per should an opportunity arise.

Other regional brewers tipped by the City to be looking for ted the major brewers which, in acquisitions include Bodding-addition to having greater ton's, the Manchester-based resources to develop their public brewer and Greene King, the 100 per cent of Hiram Walker,

the Canadian drinks company, will make further major interna-tional acquisitions of drinks

Instead, 1988 could see smaller bolt-on acquisitions which would provide these companies with brands to complete their drinks portfolios. Major acquisition efforts by Allied-Lyons and Grand Metropolitan, with its Express Foods subsidiary, are more likely to be in the food

Scotch whisky remains the single largest spirits export from the UK with 1987 showing only the UK with 1987 showing only a slight recovery in sales on 1986. However, according to Wood Mackenzie, the stockbroker, price increases planned by Guinness for early 1988 will provide a tonic for the industry.

Mr John Dunsmore, of Wood Mackenzie, says: "Most Scotch exporters will follow suit in implementing similar rises. For

implementing similar rises. For the past couple of decades the industry has been constrained by the ultra-conservative pricing policies of Distillers (acquired by Guinness in 1986) which meant that Scotch has been losing ground in real terms against other spirits, particularly cognac. The move by Guinness is the first step in reversing this trend.

Mr Dunsmore says that higher prices could put a break on vol-umes, but would produce a marked improvement in the vol-

marked improvement in the vol-ume/value ratio and therefore in the profitability of the whole industry.

And while analysts predict a continuing downturn of spirits sales in the US - one of the world's largest markets where the anti-alcohol lobby has bitten hardest - they forecast compenest grounds against any of the five major brewers acquiring a Far East where Western spirits hardest - they forecast compen-

it is still unclear how the industry will be affected in the long term by the anti-alcohol lobby which is bearing its teeth in the debate over more flexible licensing laws and its impact on consumption.

The UK industry has yet to take the initiative here and demonstrate that drinking in moderation is not synonymous with alcoholism. Ironically, it is the foreign-owned Courage which launched a Christmas campaign urging Britons not to drink and drive.

Lisa Wood

How to exploit technological change

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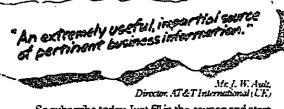
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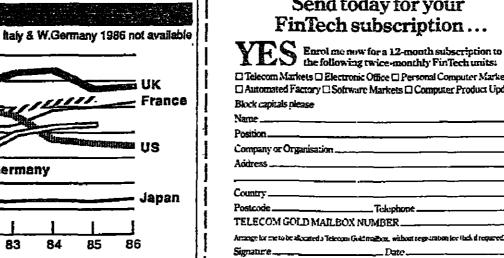
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and Maurice Sastchi; Robin Wight of WCRS Group; Frank Lowe of Lowe Howard-Spink; and Martin Sorrell of WPP Grom.

Advertising is keeping a wary eye on business confidence

Growth likely to slow down

OPTIMISM MAY seem misguided is unquestionably linked to economic activity. One of the real but the UK advertising industry dangers in a sustained stock market fall is the loss of business confidence is incuriably being to

most people in the pushess is train. This makes it increaspredict that, after 11 years of vigorous growth — save for a blip in 1981 — advertising expenditure will continue to grow, spill over and cause economic though at a lesser rate. As far as a counturn, the AA warms. anyone can judge therefore, the net effect of the stock market downturn will be to temper the regarded as the barometer of

The Advertising Association, which has monitored industry progress through both fat and fallow years, warned of a crash in its September forecast of advertising expenditure to mid-1989. But it has since shaved its figures down only a fraction. For 1988, Mike Waterson, the AA's research director, expects a reduction of one quarter of a percentage point to 4.5 per cent growth in real terms of advertising expenditure. (This follows a growth rate of Il.3 per cent in 1988, which brought revenues to a record \$5.1bn.)

Mr Waterson bases his figures on the current health of the UK economy. One of the best ther-mometers of this, he says, is job cruitment advertising which is

enough 1988. confidence it inevitably brings in the business its train. This makes it increas-

advertising health, is also expanding. The annual growth rate of about 5 per cent is comparatively high, says Mr Water-son, though it is unlikely to con-tinue at this level.

Many leading advertisers appear to echo this positive mood, although so far they have been tested in theory only. The real proof, according to many agency chiefs, will come in the spring when budgets are reas-

A Mori poll, conducted among 53 top marketing and advertising directors and published on November 27 by Campaign mag-azine, ended on an upbeat note. Two-thirds of those questioned predicted the economy would improve in the coming year. Nearly seven out of 10 said their company was prepared to spend booming as never before.

The adds the rider, however, that should the economy be hit, then inevitably ad revenues appeared it would increase its services, public relations and manufacturers are moreaware of

remain static and a quarter expected a small increase.

recession-proof. Events over the the numbers.
past two recessions, in the early 1970s and 1980s, suggest that fierce cutbacks are unlikely.
"Advertising has become an essential ingredient in marketing with the power of retail and self service," says Paula Shea, analyst with stockbrokers Hoare Govett. "It is vital for manufacturers to keep their messages in analyst with James Capel. turers to keep their messages in analyst with James Capel, front of both retailers and consumers."

Many consumer goods productions in the spread of advertising is much wider now; and this reduces the risk. Where

ers have learnt the lesson of the once consumer goods accounted leaky bucket theory. This for the bulk of revenues, now implies that a company's customer pool is constantly dropping out of the bottom of the bucket and in need of marketing attention to keep the level attention to keep the level ing executives are also more topped up. Companies which failed to advertise in the 1970s saw their consumers fall drams. them back was costly and far from instant. In that crisis, they were obliged to turn to sales promotion, that instant shifter of products. tically and learned that tempting

likely to support public relations, tains. And even if the outlook sales promotion, design and market research. More than half the one of the quickest industries to directors thought sales would trim its sails accordingly. This point has been drummed home by the hectic takeover remain static and a quarter became clear in the 1970s recessativity of the last couple of the process of the last couple of the process of the last couple of the last coup activity of the last couple of years when brands have been expected a small increase. sion when revenues tumbled by City observers argue that 24 per cent and hundreds of advertising is becoming more employees were forced to leave

stock market crash will be to curtail their acquisitive instincts, which many observers felt was taking their eyes off the main core business — "a lot of managements, which have only ever known the good times, are going to be tested, says Mr Shepperd.

While UK agencies across the board report no real cutbacks in budgets for 1988, many feel that 1989 could bring the real test,

Whatever the soothing words from some forecasters for the moment, many eyes will be firmly fixed on the US, where belts are already being tightened. According to Adweek, the trade magazine, the big agencies have cut staff by 10 per cent, on aver-

sophisticated in their view of As for the US outlook, Bob how advertising works. Given a downturn in advertis-Cohen, senior vice-president of McCann-Erickson recently pro mccann-Erickson recently pre-dicted a 9 per cent (in real terms) growth in total spending on ads, a reduction of half a per-cent on pre-crash estimates. So the message of growth, if dinimed, is constant on both sides of the Atlantia corporate advertising. People won't cut the basic bread and sides of the Atlantic.

Flurry of activity fails to lift unease

most admired companies in Britain. Its managerial methods were revered and copied; its structure was regarded as a model for a diversified industrial group; its tough approach to managing its workforce and its assets were seen as highly suc-cessful in a period of deep labour unrest; and the creation of its famous cash mountain was widely approved during a time when financial assets could eas-ily earn more than manufactur-

Today, the perception of GEC is very different. Indeed, in the past three years or so, the company has been subjected to a number of reversals. Its profits have stagnated, its reputation with stock market investors has been hit, and its record as a company with a sure touch in the takeover market suffered a seri-

ous setback with the collapse of its hostile bid for Plessey. Even worse, its standing as one of Britain's most efficient manufacturers was undermined by the Ministry of Defence's decision not to go ahead with the pro-posed new Nimrod airborne early warning radar project.
Since the Nimrod affair, how-

ever, a new growth strategy has begun to emerge at GEC. The company has made it clear that to has not ruled out the big, blockbuster type of takeover - the sort of deal it was planning with Plessey - that would radically change the shape of the group at one blow. But in the absence of suitable candidates for large-scale acquisitions it has green light to its division. given the green light to its divi-sions to chase after transactions

that would give them more weight in their own markets. This shift towards more engine for the commuter turbo property and activities. Investors taking the leadership of General Electric of the US, brings the UK GEC make a splash on a large alliance concept that has become fashionable elsewhere in industry. The company has shown itself increasingly willing to stop

Indices 1976-100

180

160

140

where such collaboration will

began to take effect are:

The joint telecommunications company set up with Plessey. This company, still in the sey. This company set up with Plessey. This company, still in the process of reorganisation, will bring together all the private and public switching interests of the aviation activities, for same of the aviation activities.

Gilbarco petrol pump and service station equipment manufacturing group in the US. This deal will give GEC a further entree into the fast-expanding market for electronics-based equipment and services at petrol stations. ■ The acquisition of a control-

ling interest in the measuring equipment business of Berkel in the Netherlands. ■ A £16m acquisition of the Micro Scope software group.

■ Hotpoint's \$126m. purchase of the Creda domestic appliance

Sterling exchange rates

on new initiatives just yet Indeed, the company is currently yield the potential of additional markets or more effective research and development.

Among the long list of agreements struck since this policy lowed by suggestions that there may be more asset sales on the way. At the same time, the com-

public switching interests of the two groups.

The collaboration agreement with Philips of Holland to combine the two companies' medical equipment activities. The joint business will have a strong base in the US through GEC's Picker company, and an equally influential position in Europe through the Philips activities.

A \$205m expansion in the US defence electronics field through the acquisition of Lear through the acquisition of Lear again. Investors appear uncon-Siegler's astronics division. GEC vinced that the company has yet

will more than double its US military business with this deal, to sales of about \$300m.

The \$250m purchase of the ing among some investors that the company is locked into mar-kets which are unlikely to yield anything out of the ordinary in earnings growth over the next

few years. Both margins and volume, they argue, are under pressure in the defence sector, GEC and Plessey face fierce competition from a number of larger compa field: in the power engineering area, the placing of big new power station orders appears to be some way off; and none of the division from the TI group.

A joint agreement with a business such as, for example, group of American companies on the Hotpoint domestic appliance the development of a new aero division - is large enough to off engine for the commuter turbo set the slow growth in the domi-

French franc

Deutsche mark

Japanese yen

Assets redeployed to help finance regeneration

Uplift for Woolworths

IT IS now five years since the Paternoster takeover of Woolworth - when institutional investors, tired of the continuing decline of the company, com-bined in a \$310m buy-out and brought in new management.

Since then, massive changes have been wrought on a business which had seemed almost past saving. And while the restructur-ing of Woolworth is not complete, and in a sense never will be unless it atrophies again, the progress made has earned its shares a rating far above that at the time of the takeover. The group is now capitalised at over \$1bn even after the stock market crash. Perhaps more signifi-cantly, shareholders last year were prepared to back Woolworth against a hostile bid worth \$1.8bn from rivals Dixons.

The key to the changes at Woolworth is perhaps the attitude of the management to the original Woolworth high street chain. That chain was not sacred and where its assets could be used better they should be redenloved.

The most profitable of the chains, in the financial year ended January 1987, was B & Q, the D-I-Y stores. The basis of this

The value of those assets was such that, although Woolworth was earning a minimal return on them at the time of the takeover, they could be used in part to finance the regeneration of Woolworth

IN 1987 T&N changed its name from Turner & Newall While the

change made official a common shorthand for referring to the

building materials and engineering group, it was appropriate because T&N is not the same company that nearly collapsed earlier in the decade. were a diversified industrial

group.

The various chains are retail brands' which need to be devel-oped and are at different stages of maturity, though all with Woolworth group is wedded to none of them. New brands are being tested and expanded to take up the running as others

The approach is not that of traditional retailers but of professional managers. There is no attempt to justify the group by resorting to the word synergy or to suggestions that a central design team should set a formula linking all the chains. Each one is distinctive with its own strat-

business had been acquired by the old Woolworth management

It is now only one part, though still the most important, of a group of retail chains. Mr Nigel Whittaker, the group's director of corporate affairs, speaks of the company almost as though it the end game now," he says, list consumers' minds that changing ing plans to expand, increase the formula must be a slow process. Phase One of a strategy own brand and improve efficiency by putting electronic completed with the reorganisation of the merchandise from a the stores. According to a recent

Comet, the electrical chain Woolworth acquired in 1984, now holds second place in market share terms, thanks to the recent purchase of Ultimate

link with another part of the group is more important. For while B & Q and Comet are sited This enables the Woolworth chain to get rid of excess space, often in the oddly shaped sites which are a legacy of the same of

which are a legacy of the com-pany's long history. Mr Whittaker offers the example of the Woolworth store in Abingdon where 30 per cent of the space was turned into a Superdrug shop, while Woolworth retained 90 per cent of its former business

consumers' minds that changing profits for Woolworth of 'a few the stores. According to a recent confusing multitude of lines into report by Verdict Research, the six broad categories, in many of retail analysts, B & Q's market which Woolworth is market share is well ahead of any of its leader.

sectors such as office equipm

ing executives are also more

Phase Two will give Wool-worth a portfolio of stores where the formula can work profitably. Woolworth does not succeed in large sites.

recent purchase
from Harris Queensway.

Last year Woolworth bought
Superdrug, the fast-growing USinvent today. It is not one for the year 2000. But it is the one Paternoster bought five years ago and one which has been made very profitable."

- can now be put to better use. Indeed, Woolworth expects to generate continuing profits from property rental and develop-

Mr Archie Norman, the group finance director, lists examples of deals being done. A 40,000 sq ft store in Southampton, plus Here an aggressive competitive shop, while Woolworth retained stance is being adopted in time 90 per cent of its former business for the saturation of the market in a smaller area.

The Woolworth chain itself a \$30m development of a \$10,000 two years' time. "We must win has such an engrained image in sq ft shopping mall, making

Similarly, a 45,000 so ft store in Milton Keynes is being reworked to give a 20,000 so ft Woolworth store and four others, this time for a profit Mr Norman puts at "several million".

At the same time, all stores within the group are charged a market rent by the property company, an important discipline for the retail busines So far the stock market fall

seems to have had little effect on consumer confidence, with Christmas widely believed to have been another record.

Even so, says Woolworth, the crash has had the effect of crys-tallising in people's minds events which might have happened

The effect this has had on expansion plans has not been great but Woolworth has slightly raised the hurdle rate which capital spending projects must exceed to get the go-ahead. As a result, spending will be a few million pounds less than planned. And the cash-generating propensities of retailing will be more important than ever.

Maggie Urry

<u>T & N</u>

Progress continues

Under the leadership of Sir Francis Tombs, who chairs T&N and Rolls-Royce, T&N has been transformed from an asbestos mining and building materials When interim results were released in September, Sir Francis said this dilution was minigroup to an engineering company producing largely for the automobile industry. This transformation took a big step forward last year as T&N began to integrate AE, the automobile own management discipline.

AE, the automobile own management discipline.

AE, was a respected company of the GM relationship is strong and growing with new contracts for the Buick and Cadillac divisions in the GM relationship is strong and growing with new contracts for the Buick and Cadillac divisions integrating the AE businesses are fairly reports on progress in integrating the AE businesses are fairly reported although this

The purpose of the takeover was to improve the quality of T&N earnings by reducing

automobile industry. This transformation took a big step forward last year as T&N began to integrate AE, the automobile parts engineering company, after a bitter takeover battle at the end of 1986.

Still, that is history. More for the Buick and Cadillac divisions. Still, that is history. More for the Buick and Cadillac divisions in the progress T&N. sions.

Early reports on progress in over per employee has also risen. Integrating the AE businesses are fairly encouraging, although this is an area in which only the long applications in the motor industry. Where it was a major supplier of light pistons. T&N, by contrast, worked in the some what lower and growing, with new contracts. Manning levels have reduced, with a net loss of 350 jobs. Turn-over per employee has also risen. Integrating the AE businesses are fairly encouraging, although this is an area in which only the long applications in the motor industry. Most of the AE substidiaries.

Manning levels have reduced, with a net loss of 350 jobs. Turn-over per employee has also risen. Integrating the AE businesses are fairly encouraging, although this is an area in which only the long applications in the motor industry. Most of the AE substidiaries.

At Wellworthy, which produces fairly encouraging, although this is an area in which only the long applications. Most of the AE substidiaries.

What lover per employee has also risen.

Most of the AE substidiaries.

Manning levels have reduced, with a net loss of 350 jobs. Turn-over per employee has also risen.

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Most of the AE substidiaries.

Manning levels have reduced, with a net loss of 350 jobs. Turn-over per employee has also risen.

Most of the AE substidiaries.

debating precisely the extent to which the issue of new shares in connection with the takeover ity of AE products could be has diluted T&N's earnings. When interim results were released in September, Sir Franciscus, which is strong its strong the GM relationship is strong improving the operating perfor-and growing, with new contracts mance of the AE subsidiaries.

Tak earnings by reducing what lower and very different technologies of brake system technologies of bra

ply parts for different parts of the vehicles, there was no particular advantage in offering a complete line of products. While there is no evidence that the order book has fattened as a result of the takeover, Sir Francis reported that £1m was saved in the first half year on transpor

tation costs alone.

There is clearly much work to be done, all of which will take place under the cloud of TaN's continuing potential liabilities for asbestos-related claims. The continuing potential liabilities for asbestos-related claims. The scale of the claims lodged against the company in the area of property damages is staggering—\$75m in compensatory and \$100m in punitive damages from Prudential Insurance of America alone, for the Prudential Center in Boston. Chase Manhattan Bank is suing T&N for \$170m.

T&N argues that it can defeat.

Ten argues that it can defeat, most of these claims and it has recourse to insurance protection in any case. Yet the cloud will take a number of years before it clears away and the bill for defending against these claims

81

British & Commonwealth

Ready for a year of consolidation

prising, considering that few unit created last year - are likely watchers of the sprawling finan-cial services and industrial hold-

panelled corridors of Cayzer House, where the spirit of B&C's former dominant shareholding family lingers on, even though the stake they control was tion - although piecemeal dis-reduced in 1987 to less than 5 posses cannot be ruled out.

reduced in 1987 to less than 5 per cent, should not be underestimated.

More importantly, B&C's redevelopment plans for the prime St Mary Axe site — with an unimped view of the new Lloyd's building — Illustrates one sector, property, which is likely to be at a general, however, B&C expension titis year.

In general, however, B&C expension titis year.

In general, however, B&C expension titis year.

The social company whose profile is still so low that it finished near the bottom in name-recognition when fund managers, which is likely to be inched the successful year.

The anonymitty, however, was understandable. Arguably, B&C as ever — will have its bit of this and a bit of that replacing a shipping fleet that dwindle thouse Holdings and the opportunistic post-crash takeover which valued B&C associate that is continued belding group, with a Stick flow in the pace of activity in 1987.

The long-term strategy, however, whas not changed since Mr Gumn took over as chief executive Is months ago (he became chairman last July) and promptly bought Exco, the manymitty of the latter acquired with Mercantlie House Is months ago (he became chairman last July) and promptly bought Exco, the manymitty in the pirch-based founded but quit abruptly in 1988.

B&C will continue its expansion in 1987, are also bearing out. This will complete the evolution of a company whose profile is still so low that it finished mean the bottom in name-recognition of a company whose profile is still so low that it finished mean the bottom in name-recognition of a company whose profile is still so low that it finished mean the bottom in name-recognition of a company whose profile is still so low that it finished mean the bottom in name-recognition of a company whose profile is still so low that it finished mean in the securities and the process of a still so low that it finished mean in the securities and the process of indientify, however, was not going to be able to continue its acquisition of a company whose profile is still so low that it fini

IN MARCH, when British & Common-Inhancial interests equifies in mid-October, it was monwealth Holdings transfers its which are being rationalised and bought to hedge Gartmore's equity-management exposure. "We Axe to King Street. Mr John Gunn at last will feel master in and economic conditions permithis own house.

This conclusion may be surthin Bricom — a free-standing ture capital activity this year. It is likely in the feet within sear. It is likely in the feet within the

to have been sold off.
The division includes the Briscan services and monstrial noning company can resist at least
an occasional lapse into the
stake in Atr UK, the Steel
over-simplified personification:
B&C = John Gunn.
But the move will be more
than geographical. The psychological importance of leaving the ment concerns.
The division includes the Bristow Helicopter Group, a majority
and entire Group, a majority
and entire Group, a majority
to take in Atr UK, the Steel
Brothers construction materials
and engineering company and
holdings in other transport sertimes of the control of t

The intention is to float Bricom as a package - its estimated worth of £400m is nearly onethird of B&C's market capitalisa-

1985. Oppenheimer was not as badly company, chief executive Mr B&C will continue its expanding as it appeared. Strong in Peter Goldie and Exco chairman sion into financial services and money market and bond funds. Mr Richard Lacy in particular, property, using the cash flow and only 40 per cent invested in

IN MARCH, when British & Com- from non-financial interests equities in mid-October, it was monwealth Holdings transfers its which are being rationalised and bought to hedge Gartmore's equi-

is likely to free funds for this by disposing of some of its listed investments. This will also have the merit of contributing to a general "tidying up" of B&C's

holdings.

The crash-delayed flotation of London Forfaiting, the trade finance company 85 per cent owned by B&C, should proceed early in the year. Milestone Leasing and parts of the Kaines commodities trading operation, which lost millions on copper contracts in 1987 are also contracts in 1987, are also believed to be on the block.

The Abaco acquisition, meanwhile, holds few precedents for other B&C associate companies.

Monday January 4 1988



THE EUROBOND MARKET

Long-term placing power emerges as key to survival

an inverted yield curve created a negative cost of carry which dis-couraged holding bond invento-

To top all this, the US Interest Equalisation Tax, which had been thought to be fostering the Eurobond market's growth at the expense of the Yankee bond market was repealed in 1974.

In that year, Eurobond new In that year, Eurobond new issue volume dropped to its lowest level for seven years; just \$1.9bn, compared with the record \$5.5bn in 1972. But the market did not die. New Issues in 1975 surged to \$8.3bn.

In 1987 – a bad year throughout, not just in the latter stages – the mood probably became more gloomy than in 1974. Houses closed their Eurobond operations. Profits were thin or

operations. Profits were thin or non-existent. Secondary market liquidity was in question. There was widespread disillusion with dollar bonds. New issue volume

This was a time of deep depression in the Eurobond market, barely any trading or issuing houses were making a profit and several trading houses closed their doors completely. Others did not even bother to pretend that they made genuine two-way prices any more, but would deal only on a negotiated basis. The year being described here was not 1987. It was 1974.

As Mr Ian Kerr, a Kidder Peabody executive, observed in his 1984 History of the Eurobond Market, published by Euromoney Publications, the market feared imminent death in those dark days. First, investors had lost faith in the dollar fixed-rate bonds which had been the market's mainstay. Second, the Arab-Israeli war of 1973 and the oil price rise had created inflationary fears and drastically weakened stock markets. Third, an inverted yield curve created a negative cost of carry which dis-

out unprofitable operations. The widespread expectation is that many more closures and redundancies in the Eurobond market will follow those of 1987. Two banks which featured in the 1985 table of the top 20 lead managers — Orion Royal and Lloyds — have quit the market. 1988 can be expected to produce other prominent departures from issuing and trading, as well as many quieter drop-outs by many quieter drop-outs by 9 houses which never had a prop- 10

done before. Poor liquidity has been cited by trading firms for quitting the market, and institutions have

ket was already occurring before the October stock market crash. Now, financial firms have an even more pressing need to weed out unprofitable operations.

erly thought out commitment. Hardier participants will consoli-date their positions as they have

liquidity was in question. There was widespread disillusion with dollar bonds. New issue volume dropped. Stock markets crashed.

But Eurobond new issue volume was \$143bn, still an impressive total even if it was 22 per cent below the record \$182.bm market can exist for long if it is of heady 1986.

Clearly, the most important difference with 1974 is one of scale. The Eurobond market is huge by comparison with its earlier days and is thus likely to be even more resilient in tougher times. But its extraordinarily rapid growth has also made its players vulnerable.

The market, and institutions have about the US-Netherlands are traused to thave an automated screen quotation system which would introduce the shake out have already the war an automated screen quotation system which would introduce the shake out the US-Netherlands are traused to the shake out the US-Netherlands are traused to the shake out the US-Netherlands and surrands for the beneficial effects of the beneficial effects of the unatomated screen quotation system which would introduce the shake out the US-Netherlands and sourch the US-Netherlands and sourch the US-Netherlands and sourch the US-Netherlands and sourch t

TOP 20 EUROBOND LEAD MANAGERS 1986 Market share % Nomura Securities Credit Solsse First Boston Deutsche Bank Nikko Securities Yamaichi Securities Daiwa Securities 19.200 9.400 8.232 8.020 7.851 14,803 20,012 12,444 5,141 4,440 8,963 9,846 8,674 8,235 7,002 2,788 4,874 2,788 4,874 2,713 1,695 2,886 3,621 1,745 2,678 1,345 1,345 1,345 1,825 1,8 Morgan Stanley
Morgan Stanley
Salomon Brothers
Banque Paribas
Industrial Bank of Japan S.G. Warburg Commerzbank Dresdner Bank Swiss Bank Corp Goldman Sachs Baring Brothers LTCB of Japan Bank of Tokyo Industry Totals Note: Full credit gives to book youner. Source: 100 Information Services

	-	EUR	OBOND ISSUES	BY CURREN	CY		
1987 Rank	Currency	Total raised (\$bn)	No.of Issues	1986 Rank	Total raised (\$bn)	No.of Issues	
1 2 3 4 5 6 7 8 9 10	US\$ Yen Sterling D-Mark A\$ Ecs C\$ FFr. NZ\$ DKr	59.919 23.530 14.436 14.265 9.180 7.455 5.996 2.074 1.494 1.407	4% 165 117 128 192 70 93 19 27	1 3 4 2 7 5 6 8 11 10	114.710 18.120 10.605 20.043 3.561 7.104 5.179 3.476 0.561 1.120	826 160 79 179 91 81 87 46 15	

Source: IDD Information Service

floating-rate notes and corporate bond. In such a comparison, the Eurobonds, amid uncertainty Eurodollar market emerges quite about the US-Netherlands favourably. Some of the beneficial effects

international markets have been breaking down. West Germany's intention to impose a 10 per cent withholding tax from next year has boosted international demand for D-Mark Eurobonds by comparison with domestic bonds. Japan's plans to tighten its application of withholding tax have dried up international liquidity in certain types of gov-ernment bond and increased the attractions of Euroyen bonds for

foreign investors. However, the offshore nature of the Eurobond market is overshadowed by an important threat. This year will see the imposition of the UK Financial Services Act. It has already

imposed, and will continue to, an entirely new set of costs and constraints on a Eurobond market fighting for profitability. But the dissension which has been latent among Eurobond market participants — those in London occapitally market of the short essentially prepared to go along with UK regulation, those elsewhere seeing no reason why they should - seems likely to break out into the open as rules

are actually introduced. Not all sectors of the interna-tional bond market have been languishing in 1987. The Swiss franc market – not included in franc market – not included in our tables – has been flourishing with over 400 foreign bond issues worth more than \$23bn, virtually unchanged on 1986. The sterling sector has also had a good year, pushing S.G.Warburg and Baring Brothers up the

In a year dominated by the Japanese houses - helped by the strength of the yen and by equi-ty-linked bonds - the durability of CSFB and Deutsche Bank is striking Dresdner Bank has re-emerged as a force. Though sev-eral of the US houses have held on to high positions, Merrill Lynch, which came second to CSFB in 1985 and ninth in 1988, has dropped just out of the top 20, according to the data from IDD Information Services. Shear-son Lehman – from 13th to 28th - and Societe Generale are the others to have slipped.

The positions of most of the top players are considerably bol stered by equity-linked bonds, which totalled nearly \$37bn. More than that, many of the leading houses have devoted considerable capital to developing equity activities on the argument that, with the globalisation of markets, equities would soon become as internationally traded become as internationally traded as Eurobonds. The crash of 1987 has put that strategy on the line. Meanwhile, Nomura has established itself as the premier Eurobond house. Its 13.4 per cent market share is almost as large as CSFB's 14.3 per cent in 1985. Mr Hiroshi Toda, the syndications chief who led Nomura's drive and has now returned to Tokvo, has left behind a chal-Tokyo, has left behind a chal-

SAUDI BORROWING

Riyadh decides to end 25 years of abstinence

25-year abstinence from borrow-ing So far, there is no indication that it might tap foreign mar-

Publication of details of the Fullication of details of the bonds is being forbidden by the Government, which indicates that it already fears a backlash from religious conservatives. The Kingdom's capital markets are extremely underdeveloped and that is the way the conservatives like it.

The conflict is linked to the old bugbear of Saudi finance: interest. Saudi Arabia operates

interest. Saudi Arabia operates according to Islamic Sharia law, which expressly forbids the giving or taking of interest.

Bankers expect the Government to get around the interest problem by offering bonds on a discounted basis, after the fashion of the Bankers Secured Deposit Accounts (BSDAs) offered in 30, 91 and 180-day maturities by the Saudi Arabian Monetary Agency (Sama).

Monetary Agency (Sama).
BSDAs have been offered to banks since early 1984. Initially the rates offered on the dis counted notes were not competi tive and banks could not resel the notes. Now, rates are some what better, banks can trade the notes, and the Government Alexander Nicoli

offers a repurchase facility.
The Saudi Government is hoping to tap a large domestic pool

A NEW government securities market will open this year in Saudi Arabia, though it is still unclear what form the bonds will take and who will be able to buy and trade them.

In an important break with tradition, Mr Mohammed Abalkhail, the Saudi Arabian Minister of Finance and National Economy, announced last week that the Government would issue SR30bn (\$8bn) in debt instruments to help fund a \$10bn deficit on the \$37.65bn budget.

The projected budget gap is lower than 1987's but follows years of deficits which have been partly financed by using up reserves. These in turn are less strong than in the past as oil revenues decline. The Government has thus decided to end its 25-year abstinence from borrow-A NEW government securities of liquidity. According to the lat-

the Kingdom. Actual surplus liquidity is around SR60bn,

according to some bankers.
The actual form the debt instruments will take is not yet clear. SAMA may offer them only to banks or may issue them in denominations small enough for private investors. "We think that would be best, because it would encourage a businessman to invest directly in his country," one banker said. The Government work the best decided whether ment must also decide whether the bonds can be resold.

This will be a major step in developing the Kingdom's infant capital markets. The stock mar-ket's central trading hall remains

Finn Barre

EUROMARKÉT TURNOVER (\$m)

ď	Primary	Market			
)		Straights	Conv	FRM	Other
y	US5	230.7	0.3	47.4	1,557.7
n	Prev	B.5	0.0	_0.¢	4,719.7
-	Other Prev	379 <u>.3</u> 1,639.9	0.0 254.9	32.4 174.7	164.9 183.6
0		ry Market			
١,	USS	6,302.9	889.8	2,235.5	2,368.7
-	Prev	11,117,3	2,054.3	10,024.8	6,115.0
- 1	Other Prev	7,418.5 17,746.0	512.1 1,032.4	882.1 2,536.9	6,496.1 13,611.5
-				woclear	Total
e	<u>u</u> ss	_6,3	178.7	7,454.3	13,633.0
Ē	Prev Other	10,	17.9 2	3,521.7	34,039.6
L	Draw	157	132 4 2	8,219.0 1,347.5	15,885.4

NEW ISSUE

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OCTOBER 1987

U.S. \$100,000,000

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Mitsui Trust International Limited

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Agent

THE BANK OF TOKYO, LTD.

December, 1987

This announcement appears as a matter of record only:

Institutional support under test this week

would be even more so. Foreign investors have been control - de facto membership aggressive purchasers of gilts of the exchange rate mechanism and have more than funded the of the European Monetary Sys-PSBR so far this financial year. tem.

In this they have been supported This has credibility, however, by an unusually long period of a only if the policy is adhered to stable to appreciating pound. On through time, or is symmetrical.

ment and the auction should ciate.

prove a useful guide to the insti- "Symmetrical" is a word often

ber figures for UK foreign cur-degree of confidence. Further rency reserves is one market sen-weakness in sterling, to around sitive economic statistic out this the DM2.90 level, should presage week but it ought not concern intervention in exchange marthe gilt market unduly. This is so kets to defend the pound, a rise the gilt market unduly. This is so kets to defend the pound, a rise even though reserves, which in base rates, or both. Stood at \$41.3bn at the end of November, could have risen significantly last month.

Although the Bank did not participate aggressively in the co-ordinated foreign exchange market intervention last week, it

IF THERE was one thing which is thought to have intervened

is thought to have intervened heavily during the first two market bouyant throughout most of December it was the belief that institutional support would revurn to the market in the New Year.

Surveys of institutional intentions and a mountain of anecdotal evidence suggested at year end that institutional cash positions were being increased — partly for prudential reasons and partly for window dressing purposes — and that a lot of this cash together with a higher percentage of normal cash flows would be dedicated to the gilt market this year.

The long period of waiting is now to be over. Market makers should receive an unambiguous answer to the question when, as it is believed, the Bank of England announces the terms of its third and last experimental gilt auction (of medium-term stock) on Wednesday or Thursday.

A factor supporting the auction is that January is a good month for dividend payments. About \$1.75bn should be paid out which more than covers the second and final call on the December 16 \$1bn convertible gilt tender and an auction of up to \$1bn.

December 16 \$1bn convertible
gift tender and an auction of up
to \$1bn.

The Bank can issue a stock as
short as seven years and as long in mid-December, the pound has
as 15 years. According to Mr
years and as long in mid-December, the pound has
as 15 years. According to Mr
weakened slightly against the
John Shepperd of Warburg Securities, if the Bank opts for the
ment will come if sterling looks
shorter end of the range it could like weakening further against
the avertal tention stock to for the D-Mark.

be a very attractive stock to for the D-Mark.

eigners. If, like the convertible The rationale for DM3 is that tender, it were free of tax, it by hitching Britain to the would be even more so.

D-Mark inflation is kept under

stable to appreciating pound. On through time, or is symmetrical, the currency alone, an unhedged Britain has already foregone a US investor made 24 per cent greater anti-inflationary benefit and a West German investor 6.7 by not allowing the pound to rise per cent investing in the UK above DM3, so the policy only over the course of 1987.

How the stock trades in the maintained at around that level week between the announce—when it would otherwise depre-

prove a useful guide to the insti-tutional appetite for gilts.

Tomorrow's release of Decemnot always uttered with a great

US MONEY AND CREDIT

Tokyo sets the trends for 1988

no bottom in sight.
How many holidaying traders ward directions.

But, while it will never be possible to cry Eureka and declare exchange dealings get back into that the right level for the dollar full swing around the world? has now been reached, there are the collapsing dollar on the Japanese equity portfolios frozen by the five day hiatus on the Tokyo comes in.

Ward directions.

But, while it will never be possible to cry Eureka and declare expense of the Japanese. It would be absurd for American companies to focus on two fairly sure signs that they remain at the wrong level. This is where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese equity portfolios frozen by its where the Tokyo stock market in the right level for the dollar regaining world market share from Korean, Brazilian or Taiwanese competitors since no amount of currency devaluation could no sibly offset them.

markets as long as the dollar bility is once again firmly on the continues to fall without any Japanese. apparent limit. Given that efforts However, the continuing spec-to stabilise curencies through ulative fever in the Tokyo equity international agreements and and property markets has jawboning are rapidly losing imposed a serious note on the credibility, there is only one reason why the dollar might stop loosen monetary policy further. falling in the months ahead: that Until a sharp reversal in asset, the content of the content o

BY THE TIME you read this, the two biggest financial questions of the New Year may already and capital investment between sides of the Pacific will be the US and tracers in London are still fostling in their commuter trains and traders in New York are still sleeping off the excesses of their extended celebrations. After the many false dawns of their extended celebrations, after the many false dawns of the second indicator that the last year, the markets are already have set the trends that could dominate the financial world for much of 1988.

When the Tokyo stock and for their extended celebrations, after the many false dawns of the second indicator that the last year, the markets are nough is the state of Japan's cit is finally turning downwards. Since the October crash, they will be downright cynical about two very different worlds when they discuss the virtues of international monetants are might already have set the trends that likely to be particularly sceptical corporate sector. Before the currency realignment is completed, cit is finally turning downwards. Since the October crash, they will be downright cynical about two very different worlds when they discuss the virtues of international monetants are might already have set the trends that the US trade deficit is finally turning downwards. Since the October crash, they be hurt, and hurt pretty badly. Until this can be clearly demonstrated, the minimum necessary will not have been attained. The US trade deficit is never going to be narrowed rapidly after that – formally public holidays in Japan – the dollar floating currencies have never floating currencies have never the upward and downdays and these import reductions will discuss the sides of the Pacific will be take of of the Pacific will be acknown to the recond indicator that the conditions of the state of Japan's corporate sector. Before the currency realignment is completed, the minimum necessary will be downright cynical about two very different worlds when they discuss the virtues of internation enough by export growth alone.

There can be no question of currency stability until the US also dramatically cuts its imports; and these import reductions will in both the upward and down-ward directions.

nese equity portfolios frozen by is where the Tokyo stock market the live day histus on the Tokyo comes in.

The first pointer to continuing could possibly offset these countries about the ence in real interest rates should the US seek to do this, answers to these all-important between Japan and the US. since it would then lose out on questions. And after the events Assuming prospective inflation all the benefits of comparative of October it is quite concelvable rates of around 5 per cent in that they will be answered in a America and next to nothing in dramatic manner But what does Japan long-term real interest. dramatic manner. But what does Japan, long-term real interest

Japan and Europe, on the the Tokyo stock market have to rates are actually higher in other hand, are America's natudo with US bonds?

Japan than in the US. Given that ral rivals. Whatever gains are it is a commonplace observathe US authorities are obviously made in the US current account will be at their expense. Europe, regarded as a unit, is much larger and less export-dependent than Japan. tion these days that no lasting unwilling to raise their interest stability is likely in the US credit rates, the onus for currency sta-

it has already fallen far enough. values delivers a deflationary What "far enough" means is an shock to the Japanese economy exchange rate that is sufficiently comparable to the one suffered

Thus it is on Japanese export-ing companies that the biggest

US MONEY	MARKE	T RATES	(%)		
	Last Friday	2 week ago	4 wits	12-month High	12-mag
Fed Finals (weekly interage)	6.83 5.71 6.18 7.20 7.30 7.20	6.79 5.76 6.40 7.78 7.95 7.45	7.01 5.41 6.15 7.60 7.50 7.40	7.34 7.17 7.45 6.28 7.79 8.86	5.99 5.03 5.39 5.88 5.75 5.65
US BOND PR	CES AI	Charge Charge	75 (%) Yield	I west	4 mk.
ieven-pear Treasury O-pear Treasury O-pear Treasury Lew 19-pear A Financial Lew AA Long distry Lew AA Long industrial	1041, 1034, 993, s/a s/a	+ 39 - 1-39 - 1-39 - 1-30 - 1-	8.57 8.97 8.90 10.00 10.00 7.90	2.54 8.45 18.05 10.00 9.90	840 9.10 9.10 18.13 10.25 9.35

FINANCIAL FUTURES

Chicago exchanges hit back at NYSE

LAST WEEK'S report by a New York's Stock Exchange commission that called for sweeping changes in the way financial futures are traded has been greeted sceptically as 'self-serving' by Chicago's futures which trades the busiest stock index futures contract the Standard & Poor's burden of adjustment will inevi-tably have to fall. Every time Toyota persuades its workers to accept a lower annual bonus or manages to pass on the costs of the risign yen to its small parts suppliers, it simply guarantees that the yen will continue to rise further.

Weary of being blamed by New York for October's stock market crash, the exchanges pointed to a lack of data backing up assertions made by the report.

further.
As long as the Tokyo stock

market continues to defy grav-ity, supported by the belief that

ity, supported by the belief that Japanese exporters "will learn to live with" a dollar at Y130 or Y120 or Y120, the US currency should logically continue falling. Of course, logic does not always rule in the financial markets. The Tokyo stockmarket may be entirely wrong about the export companies' prospects. Perhaps they have already been crippled by the dollar at Y121. But if there is one lesson which can be drawn from the financial upheavals of the last few months.

upheavals of the last few months it is that, in an interconnected world, different markets cannot continue operating forever on diametrically divergent expecta-As long as the Tokyo stockmarket manages to evade the adjustment which has occurred Chicago's exchanges have been

Chicago's exchanges have been gathering their own evidence on what happened during the crash. They maintain that stock selling pressure would have been much worse in New York if the Windy City's stock index futures had not provided a safety valve. around the world to a new, more straightened, economic reality, every financial market around the world will be haunted by the imaginary sound of a heavy sec-ond shoe waiting to drop.

The positive side of this argu-ment is that the long-dreaded

correction in Japanese equity prices could be an unexpectedly builtish development for all other financial markets - particularly credit markets – throughout th Anatole Kaletsky

While the CME, which transes
the busiest stock index futures
contract - the Standard & Poor's
500 - was making little initial
comment on the report, in a
statement, it pointed to Mr Katzenbach's lack of evidence that futures caused or exacerbated the October 19 collapse.

New York's suggestion about trading a stock index futures contract on its own floor was seen as a cynical attempt to win back competition from Chicago's highly successful derivative products market.

"I don't know why they bothered with a report," commented Mr Merton Miller, who heads an independent panel set up by the Chicago Mercantile Exchange to look into the role of futures.
"There aren't many facts in there," contends Mr Miller, whose look attempt to win back competition from Chicago's to complete." Mr Miller, whose panel warned before Christmas of pushing out retail stock index buyers by raising futures margins, said he could not understand why Mr Katzenbach made such a "big deal" of this sort of speculation. "We found that retail demand didn't have much to do with anything," he noted.

Denying the need for stocks and stock index futures to be regulated by one agency, Mr

Denying the need for stocks and stock index futures to be regulated by one agency, Mr Donovan said: "There is no reason to believe the NYSE would have performed any better if

financial futures had been regu lated by the Securities and Exchange Commission. The SEC currently regulates stocks and stock options, while financial not provided a safety valve.

"Any loss of public confidence in the capital markets was as a result of the failure of the New York Stock Exchange Specialist System," stressed Mr Thomas Donovan, president of the Chicago Board of Trade — the world's biggest futures exchange.

stock options, while financial futures come under the auspices of the Commodity Futures Trading Commission.

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The Republic of Gabon

US\$ 50,000,000 **Club Loan**

BNP Capital Markets Limited

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Financial advisors to the Borrower Kuhn Loeb Lehman Brothers International, Inc. Maison Lazard et Compagnie S.G. Warburg & Co. Ltd.

BNP Capital Markets Limited

David Dodwell on the arrest of the HKSE's former chairman

The fall from grace of Ronald Li

WHEN Mr Ronald Li, the quix-otic former chairman of Hong Kong's stock exchange, gave his not inconsiderable backing four months ago to plans for a share offering by Club Volvo, a local girlie bar, a director of the club, Mrs Loretta Fung, said funds could have been raised by phon-ing a few people up, then added: But Mr Li said it would

be much more fun to do it through a public flotation.

For the fun-loving Mr Li, much of the enjoyment of running the stock exchange must have evap-orated over the past weekend. His arrest by staff of Hong Kong's independent Commission Against Corruption (leac) marks an astonishing three-month fall from grace that even his fiercest critics would have thought

barely possible.

No charges were immediately laid against Mr Li. He was released yesterday on bail of HK\$10m (US\$1.28m) and has had travel documents taken away. But for a man who has often been quoted as saying that for a Chinese businessman his honour is more important than his life, the ignominy of being escorted to leac headquarters for a day of interrogation in con-nection with the operations of the stock exchange will be hard to bear, whatever the eventual

Only three months ago, in the first week of October, Mr Li was riding the crest of a wave. He was in New York, being feted by the barons of the US securities industry, on a roadshow aimed at woolng investment in Hong Kong companies by US institutions.

"We are now a stock exchange of international standing, and therefore we are trying to make our stocks international, he said

he won acclaim for forging Hong Kong's four bickering stock exchanges into a unified market, he had seen capitalisation almost double from HK\$260bn to Share prices alid more steeply HK\$450bn. Daily turnover had roared from HK\$250m to more than 30 Many blamed the closure for the than the market reopened, almost 70 per cent of stock market prices alid more steeply ket turnover. In the wake of the securities industry crisk, the government than HK\$4bn, and more than 30 extremity of the crash. than HK\$4bn, and more than 30 extremity of the crash. companies were seeking public listings. Hong Kong's futures market, of which he was deputy chairman, had become one of the most active in the world.

This period will no doubt in future be seen as the zenith of his career. Now approaching his 59th birthday, he was born the youngest of four brothers and eight sisters in the family of a rich Hong Kong merchant. With a harbed tongue and impregnarich Hong Kong merchant. With a barbed tongue and impregnable self assurance, he outmanoevered rivals and government officials on his way to becoming head of the Far East Exchange, the most dynamic of the four exchanges before unfficiation in 1986. Along the way, he is thought to have amassed a fortune not far short of HK\$20bn. Since the New York visit, it

Since the New York visit, it has been down all the way. Controversy eropted in the wake of Black Monday when Mr Li and his girdnama. his exchange committee decided to close the local market for four days rather than face the typhoon that was buffeting exchanges elsewhere in the

world.
A number of excuses were provided for the decision, including the argument that share settle-ments had become hopelessly backlogged. But international opinion was all but unanimous in its condemnation - and doubly so since Hong Kong so often trumpets Itself as the very essence of a free market.

The government's apparent inability to intervene highlighted the fact that the exchange was t the time. being run as the private monop-in the 18-month period since oly of a small group of local



At the heart of the crisis was At the heart of the crisis was the hankrupping of the futures exchange where Mr Li also held considerable sway. International institutions and major futures exchange: Mr Jeffrey Sun has exchange members to defend him from "ignorant and malifeboat fund for the futures exchange, has arrived to begin a to do with the stock market players who were pressured to contribute to a HK\$2bn lifeboat fund for the futures exchange, has arrived to begin a to do with the stock market their criticism of Mr Li = for a convert exchange, has arrived to begin a to do with the stock market players. the bankrupting of the futures exchange where Mr Li also held lifeboat fund for the futures exchange, has arrived to begin a to their criticism of Mr Li – for a one-year secondment as deputy crash, or the international conchief executive. Headhunters troversy that surrounded it. The inquiry is understood to have the inquiry is understood to have the inquiry in September and is

Unrepentant, Mr Li retaliated by blaming the collapse on the international institutions and sought to add a racial dimension to controversy by claiming that "white faces" were trying to bully local brokers in their

changes that have steadily eroded Mr Li's once unchallenga-ble control over the stock exchange and futures market. A new executive has been

A new executive has been appointed to the futures exchange, while on the stock market Mr Robert Fell, who recently retired at the stock and for a share depository, are also being examined. recently retired as the territory's Banking Commissioner, has been major local stockbrokers have hauled back from the UK to act as senior chief executive of the that these reforms should have

end of a management committee to usurp the powers of the stock wan less than a month ago-

the past were linked with one of Mr Li's sons, have been replaced by the international law firm Linklaters.

The problem of share settle-ment has been all but solved, not simply by an improvement in procedures, but because the trad-ing volumes that were putting the paper-based settlement sys-tem under strain before October 19 have dwindled to a trickle.

also being examined.
International institutions and

exchange.

Mr Ian Hay Davison, the former chief executive of Lloyd's of London, has been appointed to cratic (and autocratic) control of the her criter executive of Lloyd's of ment practice and his idiosynthologoup, has been appointed to cratic (and autocratic) control of head an inquiry into the securities industry, and wide-ranging tory factors to the loss of interreforms are promised when he reports in the middle of the year.

The appointment at the week-ord of a management committee.

October collapse.

October collapse. When Mr Li retired as chair

their criticism of Mr 14 - 101 a number of controversial proposals aimed at rescuing speculators have drawn up a shortlist of probability in the futures exchange and for spective Cantonese speaking can begun in September and is thought to focus on demands and of companies seeking stock

spective Cantonese speaking candidates as a future chief executive, and Ms Selwyn's main task will be to train the successor into the job.

Other changes are under way. Surveillance of member brokers has been tightened, with accountants Coopers and Lybrand monitoring their financial worth and examining the issue of canital of honour the only thing that is bully local brokers in their examining the issue of capital of honour, the only thing that is efforts to win greater influence and liquidity requirements. The clear is that he will not take over stock exchange decisions.

Japanese claim 48% of semiconductors market

JAPANESE companies claimed 48 per cent of the world market semiconductors in 1987 with Toshiba Corporation growing Company substantially faster than the market to take second place to Nippon Electric in the world NEC

Nippon Electric in the world rankings.

NEC's revenues were \$3.19bn, an increase of 21 per cent over 1986. Toshiba turned over \$2.94bn (up 29.1 per cent) while Hitachi (\$2.78bn, up 20.5 per cent) slipped from second place to third, according to the latest survey by Dataquest, the US market analysis company.

The US companies Motorola and Texas Instruments, with revenues rounded.

and Texas Instruments, with revenues rounded. respectively, were fourth and fifth in the league.

TOP TEN SEMICONDUCTOR SUPPLIERS 3.193 (2.638) 2.939 (2.276) 2.781 (2.307) 2.450 (2.025) 2.125 (1.781) 1.899 (1.365) 1.597 (1.258) 1.500 (991) 1.481 (1.136) 1.479 (1.266) 21.0 29.1 20.5 21.0 19.3 39.1 26.9 51.4 (8) (11) (10)

fifth in the league.

Semiconductor companies fared better in 1987 than they have since the beginning of the slump in the market in 1984, Dataquest says. It estimates that overall semiconductor sales grew 24.3 per cent in 1987 to reach \$36.6bn, up from \$29.4bn in 1986.

South-east Asian companies outside Japan, it says, performed best, growing by 64 per cent though they took only 2 per cent of the market against Japan's 48

per cent, North America's 39 per cause changes in cost structure, prices and competitive dynamics in the worldwide market. In the market for Application Specific Integrated Circuits (ASICs) semi-custom devices, which many believe will take an increasingly important role in world electronics, NEC again led the table with Toshiba in second place, Matsushita third and the US ASIC pioneer LSI Logic in fourth place.

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FINANCIAL TIMES

Da Shing officials held

TAIWANESE investigators have before Christmas with the detained several officials of Da default of Mr Lei Polung, a key Shing Stock Brokers, a leading client known colloquially as Big local securities firm, in connection with a probe into possible ing a possible collapse of the illegal stock trading after a client market should Da Shing be defaulted on loans of US\$26.8m forced into insolvency, perdefaulted on loans of US\$26.8m forced into insolvency, per-

late last month. suaded a local bank to extend Taiwan's Investigation Bureau credit to the brokerage in

Grand Met clear for Martell

THE FRENCH authorities are Seagram and the Martell family THE FRENCH authorities are expected to approve a FFr3.68bn bid by Grand Metropolitan, the UK drinks group, for Martell, the 272-year-old French cognac house, according to Mr Georges Chavanes, the French minister for commerce, services and craft industries.

Mr Chavanes also indicated at the weekend that the government was likely to block a rival takeover deal for Martell by Seagram, the Canadian drinks

Taiwan's Investigation Bureau had by yesterday not filed any charges against officials of Da Shing but said at least four people including Mr Yeh Hui, Da Shing's president, and Mr Huang Yi-ming, vice-president, were being detained pending investigation of illegal trading.

Da Shing nearly collapsed just common, credit to the brokerage in exchange in exchange for \$38.5m worth of exchange for \$38.5m worth of industries. Mr Chavanes also indicated at the weekend that the government was likely to block a rival takeover deal for Martell by Seagram, the Canadian drinks group. However, he emphasised that the final decision on the private deal negotiated between takeover battle.

EWORLD VALUE OF THE POUND

Seagram last month agreed in a private transaction to buy a 41 per cent stake in the cognac house owned by the Martell fam-ily for about FFr1.4bn. The deal would have given the Canadian group control of the cognac house since Seagram had already accumulated a 12 per cent stake in Martell in the stock market. in Martell in the stock market.

However, the Paris stock exchange ruled last week that the unusual notarised agreement between Seagram and the Mar-tell family breached French stock market regulations.





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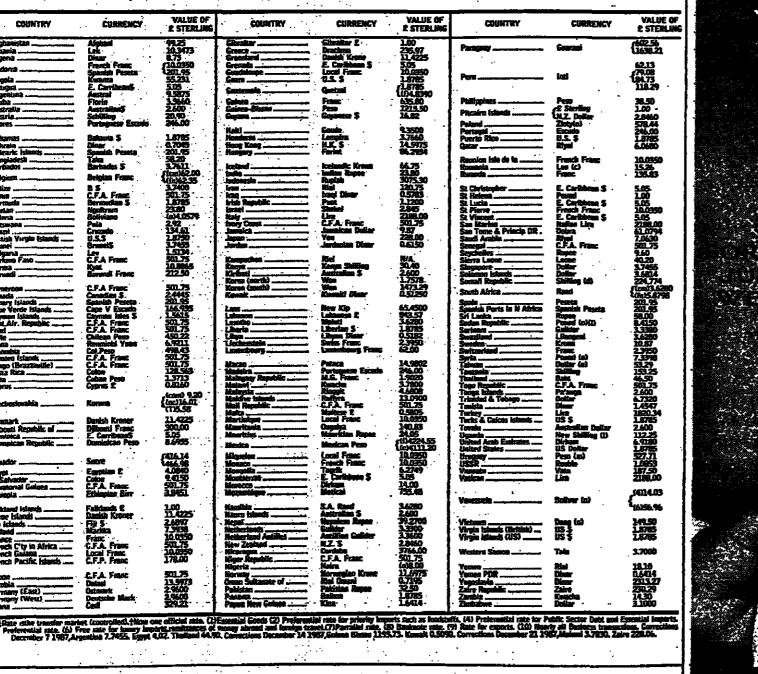
to India and the Maldives for example) it looks as though a business trip is about to turn into an unexpected holiday for two. Phone 01-930 5356 or con-

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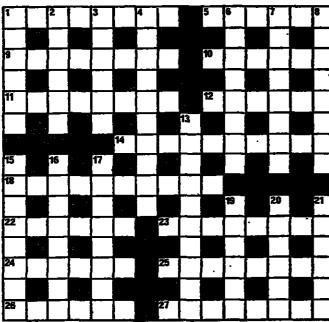
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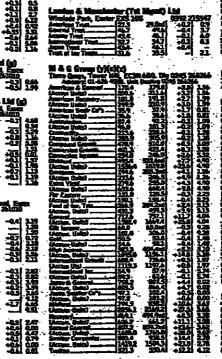
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98.1.M. Britannia (.M. 74-78 Finstory Pavement, EC2A 1:ID 01-588 2777 Carr Airs 77.75 5.831 8.2091 https://doi.org/10.1001/10. The second control of the control of NatWest Special Reserve Account 41 Lectury, Lundon, EC2P 2SP 01-725 1000 22,000 in 14,009 17.50 5.75 2.80 0r 210,000 and steep 17.525 5.875 8.05 0r ### Dec 50 | \$16.55 | +0.05| | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |

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- Warner, Starrick Res 1149	Apr. Cr Marshaffs Halder 250 24.8 76.25 2.5 3.4 15.1 Apr Nov. Mansders Clohol Zob. 79 25.10 2.9 49 3.3 8.5 Jan. Sign. Meyer Int. 250 2311 77 5.6 2.7 8.8 December Mallier (Stant 10p. 91, 111 125 11 2.1 5.2 Jan. July Mewarthill (St. 25.05 13.5 12.9 3.4 1.6 25.2 Mar App Mewarthill (St. 25.05 13.5 12.9 13.5 12.5 13.5 Mar App Mewarthill (St. 25.05 13.5 14.9 14.15 5.7 1.9 12.9 Mar App Mewarthill (St. 25.05 1.9 12.9 14.15 1.5 1.9 12.9 Mar App Mewarthill (St. 25.05 1.9 12.9 14.15 1.9 14.15 Mar App Mewarthill (St. 25.05 1.9 12.9 Mar App Mewarthill (St. 25.05 1.9 1.9 Mar App Mewarthill (St. 25.05 1.9 1.9 1.9 Mar App Mewarthill (St. 25.05 1.9 1.9 1.9 1.9 Mar App Mewarthill (St. 25.05 1.9 1.9 1.9 1.9 1.9 1.9 Mar App Mewarthill (St. 25.05 1.9 1.9 1.9 1.9 1.9 1.9 1.9 1.9 Mar App Mar A	- Abs 10p 88 - 138 22 59 9.0
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- William Res. 1949 - 10c - 2.1 Fe bly Au No.Can Parcit ii - 10c -	Apr New Polyphy 10p. 157 22.9 n.155 1.4 27.2 June Dec. 2006. Raine Inch. 10p. 22 12.16 148.75 3.7 2.8 11.8 June Dec. 2006. Raine Inch. 10p. 22 12.16 1.4 3.5 2.3 17.0 May Dec 16 Rama. 170 26.10 6.5 2.7 5.2 9.3 Jan. Oct. 98	April 200 125 +2.0 5.7 2.2 11.0 April 200 125 +2.0 5.7 2.2 11.0 April 10: 8 225 7.4 401676 0.3 2.5 226 226 7.4 401676 0.3 2.6 226 226 7.4 401676 0.3 2.6 226
- Central Captor "A" I. 413p	January Restard Castal Rac Co 122 PS2 - 077.5% - 7.9 7.9 - 1.0 Lan. July Repetition 10p. 129 12.10 17.0 7.7 1.1 15.3 Ros. Repetition - 129 12.10 17.0 22 4.3 14.7 Lan. July Repty Group. 255 12.10 17.0 22 4.3 14.7 Lan. July Repty Group. 180 12.0 17.0 22.8 10.53 2.3 8.0 7.4 October Sandré Peristra. 248 13.7 4.3 14.2 4 16.2	Age Cot Author Line 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Energy Minerals	Len Johy Rush & Tomphins 160 248 19.53 2.3 8.0 7.4 10:00 ther Sanded Perisins 268 19.7 4.3 3.6 2.4 16.2 19.7 19.0 19.0 19.0 19.0 19.0 19.0 19.0 19.0	Dec. Laty Bouthorne 10a 172 911 #318 40 25 14.9
Global Data Systems 23p -	Dec. July Smart (J.) 10p. 11.1 9.11 65.25 1.4 6.5 15.3 Aur Dec. Tarmat 50p. 22b 23.9 16.5 3.3 3.4 12.3 Aur Dec. 9Tay Hoones 266 26.10 6.2 5.6 3.2 7.6 July Che, Taylor Woodrow 23.1 14.9 14.7 15.5 June Co. Filbury Group 233 28.9 15.4 4.0 11.1 June Nov. Travis & Arnold 399 28.9 15.2 4.9 2.3 12.1 June Nov. Treat Holdins 10p. 5 14.9 1.15 5.3 1.7 15.5 The Control of the	Les July 18-rices 59. 225 7/12 2.6 et 1.7 et 2.8 y Dec. British Telecon. 271.4 15.1 et 2.6 y 5.7 14.1 15.1 et 2.7 15.1 15.1 15.1 15.1 15.1 15.1 15.1 15
10 10 10 10 10 10 10 10	han Turnif Com 227 2311 mit 5 18 5 1 14 2	December Bingin W Sp. 21 13-7 01 3-18 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 24 13 13 13 13 13 13 13 1
- Madeleine Mines 2359	Jone Tysins (Contr.) 10p. 46 3.6	
	Jan. July Warringtons	- HONE 10p 28 - 17 - 17 - 17 - 18 1 27 81 27 81
- WSodor's Gold Corpil 3500		And Mar. Confirmate 10n 200 100.8 12.54 1.5 1.7 14.8
Ja Ag Sy Ot (Trans Can Pige 662p 1.12 51.12 - 7.0 127p 11777 8-1 - -	CHEMICALS, PLASTICS Now Apr Augus 91.20 225 04.00 03.3% 3.2 6.7 4.0 0x Nay Alica Haddings 292 14.9 18.0 22.8 18.13.3 Aug Feb Alice Colloids 10p 10.6 13.7 14.188 4.3 2.4 24.2 24.8 24.2 24.8 2.2	Jan. July Crystates 51
BANKS, HP & LEASING Directionals Stack Price and Next Craw Girls Price Pric	- River Peak lett 9000 56 - R025c 4.6 2.7 7.9 Jan Ang Amerikan lett 441 2311 192 2.7 2.5 17.9	Feb Aug Coming Print Sci. 5p 332 13.77 2.37 7.4 1.07 20.5 Nov May Donating & M. 10p
Pet July ARZ SAL 1251 (21s d 5.5	Lety (8ASF AG DelSO	Jan. Adv. Debiller let 5p. 128 11.6 (411 3.0 3.2 122 13.6 4.6 8.1 13.7 13.7 3.5 2.6 13.5 13.7 13.7 3.5 2.6 13.5 13.7 13.7 13.7 3.5 2.6 13.5 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7
Dec June Banco de Biban S.A. (234) 9.12(4)38% 3.0 2.6 11.7 March Sept. Banco de Santander. (225) 30.4(1015) 2.7 1.9 July Dec Bank Ireland IrEL. 200 (211) 8015% 2.9 7.0 6.9	- #Cantridge integer Ic 70 - RQU.9c - 0.8 - Dec July Canneng (W.)	April Oct RElectron House 10p 105 93 1.6 0.5 4.7 -
Oct Apr Bk.Lesrel (UK)21 350 10.8 12.4 -4.9 - Nor June Bank Scrained 11 534 28.9 13.5 3.4 4.2 9.5 April Sank of Water 78 28.9 47.2 2.7 4.8 13.3	Feb July Coalite Group	April Control Res Proc. 5a. 105 29.6 21. 6 28 4 April Dectronic Machine. 88 24.8 20.3 1.1 4 28 4 April Dectronic Reside. 88 24.8 20.3 1.1 4 3 24 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4
Jan Aug Brown Skipley St. 455 (2311) 12.01 - 3.22 - Jan July Basiness Mort Tst. 60 15.5 2.01 2.3 4.6 13.5 Jan July Carter Allen St. 368 23.11 20.15 3.8 3.1 -	- 100 Deid. 100	Hay Nov. Entes
May Commercia DM10 2142 27.5 0185 - 4.3 -	Mr. Ju Se De Engelsard U.S. \$1.00 \$250; 17.6 72d - -	- 17 Teicher Dennys Sp. 35 13.00 gl.7 - 6.
- First Pacific Hidg 19 35 02.31d 6.4 6.5 2.3 - Fati Rank VSD 613 - 0155 5 01 0.7 82 3	May Oct Hiddeon Inst	June Dec Fubica Y50
March Goode Derrace 5p 116 9.2 \$2.5 - 3.1 -	June Horchet AG DM50 284 3.6 4020% 1.9 0.4 -	July Highbard El. 2012 68 23.11 2.5 2.4 5.7 9.5 1.
Jane Doc. King & Stanson 20p. 158 [2311] B.75 - 7.6 - May Oct. King & Stanson L. 321 [28.9] 14.01 - 4.01 - 1	Apr Oct MTM 50 1181 PM 127 14.9 15.27 3.4 2.9 11.8 1 127 14.27 3.4 2.9 11.8 1 127 14.9 12.7 3.4 2.9 11.8 1 12.7 12.7 12.7 12.7 12.7 12.7 12.7 12	124 - 14 El 3 - 3 1000
Mr is Se De MCoro 55	April Horo Inds. '8' Kr. 20 (211), 24.4 v(20)4 5.2 3.0 6.4 February Persons A8 '8' Sk10 (215), 2.2 (22)5 4 1.5 4 1.5 4 1.5 4 1.5 4 1.5 4 1.5 4 1.5	- MASS Electrical 20a 150 [23.11] 2.51 4.11 2.31 14.1
Nov High Palengan Greated 21. 280 124.9 (1915 - 5.11 - 1.14) bes 7 Park Aust. Bt. ASI. 1256: 115.4 (24.75; 4) 6.0 4 Ang Apr Rat. West. 21. 575 10.8 (20.5) 4.6 4.9 6.1 Lone Discovers Busic 220. 26.0 (20.7) 4.6 4.9 6.1 Any Bort Rose Bros. Group. 77 14.9 1.25 - 3.1 - Any Bort Roskschild (J) Hildgs. 152 9.11 6.0 3.1 5.4 8.0	May Nov. Respoid 10p	Oct. Apr. Interes Street 150 24.8 (200 2.0 4.1 12/ 150 24.8 (2.0 2.9 4.5 9.1 150 2.4 150 2.9 4.5 9.1 150 2.9 4.5 9.1 150 2.9 4.5 9.1 150 2.9 4.5 9.1 150 2.9 4.5 9.1 150 2.9 1
- Retireels 29 - 0125c 7117.9 0.8	- Satisffe Speakman 121 1779 - - 19.5 May Nov: Theoryer Satisfies 10.6. 43 12.10 11.8 2.9 4.0 11.8 - h Wistor Parlagers 10. 120ml 21.12 3.5 4.0 6 What Storrey: 10. 120ml 21.11 9.0 3.6 2.5 November Westward tol. 10. 546 12.16 1.75 1.7 5.0 1.2	- Wilson Lab SALSO 15 (~ h05%) 3.6 6.5 4.5 - Wilson h & Bucket Hp. 140mi 12.12 Ltd3 5.8 1.3 18. Way Oct Res Refrigeration 250 [14,9] 12.5 1.6 6.8 12.3
May Oct Schroders E1	November Hillentworth Intl. 1(b. 43 1216 1.75 1.7 5.0 16.2 1.7 1.7 1.7 1.0 16.2 1.7 1.7 1.7 1.0 16.2 1.7 1.7 1.7 1.0	More Age Logica 10p 258 28.9 1.7 8.4 0.9 18. 18. 1.7
Res Delty 1758 Channel Islands 1761 of 27127 5,47 47 4.8 4 18	DRAPERY AND STORES December Heads streethery 10p 50	Lan Ang MR Electric 688 (211) 6/12/01 2.9 2.4 19.1 Lan Lany 644 MT Companing Sp 500 (23)1 6.25 5.5 1.7 14.4 May Nov Macro 4 Sp 228 (28, 9 26, 40, 17 20) Contract Macros Macros 10 44 12 2.6 4.0 1.7 20.4
Mar Sept Do Spc A Con Pri. 118 93 6% 7.0 - J. Apr Jy O: While Farya SS. 223-yall 2111 (92.00 - 4.7 - Jan Johy Wespas SAI 190 51 (928 25 5.8 6.9 Apr Oct Winterst 20 443 124.8 6.2 4.2 1.9 171 Hire Purchase, Leasing, etc.	Dec June Alliebone 10p	May Oct. Medicroner int 10p 43 115.9 21.11 - # - # - # - # - # - # - # - # - # -
— Rugo Lessing 10p 157ml 2121 126 6-3 23 9.6 May Oct Cattle's Hidgs 10p. 54 248 1428 39 51 129 October Comb Lesse Fin 50p. 166 114.9 11.35 8.2 1.2 11.9	Jan. Jone Do. W So	
May Cie B'ore Fr.100	Babyro Hidys 10p. 183 - R24 3.2 3.2 12.4 baby Becamic U W 133 14.9 14.5 2.7 3.4 14.3 Oct. by Heeding W 5p. 117 14.9 14.5 2.0 5.3 13.2 bas New Remails 10p. 154 28.9 12.65 2.0 2.4 28.4	September Heliconspiceus 10p 270 [13.7] †2.29 6.2 1.1 [19.1] October Heliconspiceus 50 32 [24.8] 1.29 2.1 5.4 [2.1] — Helicon 50 246 [24.8] 1.29 4.7 1.0 92.
BEERS, WINES & SPIRITS	- 1886 Bet Grappes AS. 1.43	120 125 125 125 125 125 125 125 125 125 125
July Mar Allied - Lyons 346 7.12 11.4 2.4 4.5 10.8 Feb July Sass. 519 7.12 19.53 6 3.3 6 5 5 5 5 5 5 5 5 5	Feb. Apa. Brown (N) 10s	August Murray Teck Incs
_las_laiv Buckley's Browery 180 1.6 43.2 1.6 2.4 32.0	Feb Judy Sharton Group Sign	Mar. Oct. Filtermark (Lond)
Sept Mar Batmer(H.P.) 5g. 149ml 27.12 +5.77 2.5 4.7 1.7 Feb Ang Batmarotol Brevery 124 9.11 12.79 2.11 3.2 19.9 Apr. Oct. Clark (Matthews). 565 24.8 9.0 4.3 3.4 12.2 Jan Jahy Develoh (J.A.) 5g. 292ml 27.12 3.0 9.1 4.0 4.5 CapPl. 285 24.8 9.6 3.31 3.0 - Feb Ang Heller Smith I.A.I. 485 27.7 +5.1 4.9 1.4 19.3 Jahy Feb Bressall Whitely. 170 7.12 6.0 9.2 4.3 10.8	Jankey Crass Viyeta 20p. 262 11.5 146.69 10 315 10.8 Feb Aug Coles Myer A\$0.50. 203 27.7 02.1c 1.9 5.3 9.9 Coles Myer A\$0.50. 107 7 7 02.1c 1.9 5.3 9.9 April Oct. Courts W. 160 24.8 4.9 2.1 4.2 15.3 Jane Jan DAKS Simpson W. 400 21.8 6.5 4.2 9 8.5 Moreaber 140-8 Brest Guarde 10p. 35 13.10 4 4.00	October Northamber 50 24.8 h1.0 10.9 0.6 22.1 Mr. Ja Sp Dt. Nor Telecom II. 900 102.0 Q40c 2.3 Cessics 10p 28 8 9 9 9 9 10 10 10 10 10 10 10 10 10 10 10 10 10
Aug. Feb. 15-950cCrPf21 112 2311 5-954 - 7.3 - Aug. Feb. 15-950cCrPf21 112 2311 5-954 - 7.3 - 2.0 22.5	October Pointer (ILL) 10p. 953 12.18 3.37 4.71 1.3 22.5 bdy Now Dembirs (ILL) 10p. 54 14.9 10.08 5.3 2.2 12.0 Artica Disease Gross 10a. 265 10.8 4.0 4.7 2.7 10.6	Mar. Sept. Perior - Etner 4or 122671-193 1494 - 1715 -
Agr Oct. Do Stapt: Can Pri	Apriles Dimos Gress 10 255 10.8 4.0 4.7 2.7 10.6 ballelille Cacalles 15 5.0 - 8.5 - 8.	Oct Apr Defined instruments Sq. 233 24.8 22.4 9 10.7 10.1 10.5 1.4 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5
Aug Oct Marchesid Martin W. 223 (28,9° †9,80° 3,4° 1,0) 35,2° Aug Oct Marchesid Martin W. 2124, 14,9° 19,0° 2,4° 2,3° 25,2° 1,10° 2,5° 3,1° 3,1° 1,0° 1,0° 1,0° 1,0° 1,0° 1,0° 1,0° 1	CRA Group So	Apr. Oct. Pittor Hidgs. 20p. 265 6.4 6.5 3.7 3.6 9.2 Apr. Oct. Pittor Hidgs. 20p. 177 6.4 6.5 3.7 5.0 7.2 hdy Nov Plenser 10p. 56 11.5 4.6 5.3 7.5 0.7 2.0 11.5 ylloy Nov Plenser 10p. 144 7.12 5.79 2.5 5.5 9.4 Physicalski Elect 5p. 9 7.75
Feb Sept Scott & New 20p 288mi 27.12 17.99 2.4 5.3 10.7 Feb Sept Valle Groom 20p 288mi 27.17 14.2 4 6.1 4	Damili High, Sa, Calibri Si	Hermonal Compt. 5p. 260 28.9 3.6 4.1 2.1 11.1
Dec July Work & Deckey	Market Part (CD 11/4 ES hand 1 d 27 2/ new	
BUILDING, TIMBER, ROADS Jan. July 120 23 52 116 Retainer 145 125 125 126 Detainer 145 125 125 125 July News. Macrelees Cornst	Signar Group 10s. 175 - u5.5 1.7 5.1 15.4 July Feb. Colchery (A.)	October Helical Time Cont. 5p. 78 13.7 d2.0 2.9 3.5 13. Not. Apr. Periodizer Sp
Jan	Mayflow Hilangulus Homezow 10p. 76 20.9 1.6 4.6 2.9 10.2 10.9 11.5 1.6 1.3 13.3 13.3 14.5 14.5 14.6 12.6 12.5 11.5 1.5 14.6 13.1 13.3 14.5 14.5 14.5 14.5 14.5 14.5 14.5 14.5	October Stead of National 10p. 103.7 d2.0 2.9 3.9 13. Nov. Apr. Section 10p. 10p. 10p. 10p. 10p. 10p. 10p. 10p.
May Araciffic 10p. 99 10.88 71.4 22 24.27.13 Apr Oct - Araciffic 10p. 99 10.88 71.4 22.2 24.27.13 Apr Oct - Araciffic 10p. 99 10.88 71.4 22.4 27.13 Apr 10.9	Apr Oct Mollin Group Sa. 299 24.8 2.5 1.9 5.8 12.9	Ann. Ang. Hence 10p. 189 - 1.35 2.6 2.7 19.
Jan. John AMEC SSp. 315 2111 112 23 32 11 12 12	Monin & Manters Mp. 92 - 11.17 4.6 1.8 17.0	Annual Content of the Content of t
	Jame Roy Cherty	Hary No. System Designer. 43, 25 Aug. 12, 59 1.4 16. May No. System Designer. 41, 22 System Designer. 42, 22 System Designer.
	Mary Dec. Great Universal	Section Sect
Mov. May Beyond Group. 126 28.99 273 3.2 28 14.2 28.99 28.99 273 3.2 28 14.2 28.99 28.99	Age Witer San 109	Feb July 5 Telecomparing 10, 158 15.6 12 14. No June 1 Telefonica PSSM 48
October Coppos (F.) 5p	APPAL 50	Feb. July Restall Group Sp. 201 July 20174 325 61 A 7 Feb. July Restall Group Sp. 2018a 21 7 325 61 A 7 Feb. July 2017 325 61 A 7 Feb. July 2017 325 61 A 7 Feb. July 2017 325 325 225 227 27 7 Feb. July 2017 325 235 24 325 24 3
- Do Style Charles 17 - 92-2 - 83 - 12 2 5 5 5 1 1 1 1 2 5 5 5 1 1 1 1 2 5 5 5 1 1 1 1	Secolaria Gettop 34 22 174 24.19 24.5 3.8 2.0 17.6	May Oct MG Instruments 10p., 355 6.4 19.6 6.8 1.4 14; Feb. 04. Valey Group, 360mi 2122 10.0 2.5 1.8 12 Bru May May Mayora Key 10p. 44 22 10 41.5 1 1 2 4 17
May Oct YEBS '50s	Dec. July Seers. 129 1210 14.0 2.2 4.2 14.7 July July July July July July July July	April Del. Missen Select 206. 113 at 21.12 3.4 6 4.2 April Del. Missenster Fay 10p. 350 14.9 10.09 2.5 1.5 1.5 Nordytes 50p. 350 150 154.8 1.0 6.2 1.4 14.
August Faithrist 10s 223ml 27.27 14.8 3.9 2.9 11.9 0c. Apr Frietrich Hassis 57. 178 14.9 14.0 4.3 3.1 10.3 Am Oct Flains Group 10p	Aprolic Stanley (A. G.) 50 189 24.8 + 3.25 24 24 23.9	ENGINEERING
Col. Apr	_ Bio-record 20a 121 i _ _ _ _ _	Oct May APV 10p 125 28.9 13.8 1.8 4.2 17. 18 1.8 4.2 17. 18 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8
Dec. July Hewdon-Smart Top. 109 1216 +1.9 3.9 2.0 16.5 Jan July 10a. 10pt La 2003-08. 6295/21.05 01094 -13.4	May flow 17 d S Staves 50. 137 1201 (11.79 d.0 1.7 19.5 T d S Staves 50. 137 1201 (11.79 d.0 1.7 19.5 Tribute 1 d Gritan 50. 202 28.9 13.5 2.8 2.4 20.7 June Des Tile Rack 50. 11.6 23.11 11.11 4.2 1.3 25.2	Nor Mary Rus 5p. 165 1218 1240 19 51 13 165 1218 1240 19 51 13

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Dee considers cutting links with Citibank

Dee Corporation, the supermarkets business, is considering ment severing its links with Citibank Mr severing its links with clindark because of the U.S. bank's large role in financing the hostile \$2bn bid for the group from Barker & Dobson, the much smaller sweets manufacturer and

Mr Alec Monk, chairman of Dee, yesterday bitterly attacked Citibank for its part in the bid, and said that only last summer the bank had approached Dee offering to fund a management buy-out of the company. Citibank suggested this as a solution to the underperformance of the Dee share price. But after discussions both that and a subsequent scheme to buy in Dee's shares had been rejected by the com-

pany. Citibank is banker to Her-

Citibank is banker to Her-man's, Dee's large sporting goods subsidiary in the U.S. No comment was available yesterday from Citibank. But Mr Bay Green, of Kleinwort Benson, which is advising Barker & Dob-son on its bid, said it would be "complete rubbish" to suggest that Citibank had been involved Gatewa

approached Citibank, which is approached Citibank, which is But Mr Monk said last night providing \$650m of the funds, at this was just a diversionary letthe end of November as one of a ter designed to distract attention number of possible contributors from the defence document and

towards Barker's bid package.

The highly leveraged nature of company had been rejected because only shortly before the company had been raising large Barker's bid is expected to to be roundly attacked by Dee today sion

Mr Monk seems likely to argue that Barker's plans to reduce the level of gearing, by selling off Dee's superstores, would rip out

Dee's superstores, would rip out a part of the group with very good prospects. The document is also expected to emphasise the group's record of rapid expansion over the six years since Mr Monk became chairman.

However, in a letter posted to Dee shareholders at the weekend, Barker argued that Dee had a number of major problems which had led to significantly reduced pre-tax profits and earnings in the first half of this year.

"Dee, "it said was "the muddled result of a series of large acquisitions made over the past six years" which had created a group with no coherent strategy. group with no coherent strategy.
The acquisition of Fine Fare, the

UK supermarkets chain, Herman's, had brought "problems which Dee's management appears to have neither the capacity nor the expertise to The document added that Gateway, which represented

that Citibank had been involved in the initiation of the Barker bid.

He said the bid had been devised solely by himself and Mr John Fletcher, the chairman of Barker. Kleinwort Benson , which arranged the \$1.6bn bank loan syndicate, had only carrended Citibank which is

to the package.

Mr Monk said Dee was also reviewing its ties with Chemical Bank, which is providing \$300m towards Barker's bid package.

The highly legerated because only shortly before the

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

Application has been made to the Council of The Stock Exchange for the grant of rmission to deal in the 7.75 per cent. Cumulative Convertible Redeemable eference shares of £1 each of Citygrove PLC in the Unlisted Securities Market, it is aphassed that no application has been made for the shares to be admitted to listing.

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4th January, 1988

Completion has taken place of the sale of the issued share capital of:

F.A. Oak & Son (Properties & Investments) Limited

Asda Property Holdings plc

for a basic consideration of £732,786

The shareholders of F.A. Oak & Son were advised by

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Tricentrol hits back at Elf estimate

Tricentrol, the independent oil exploration com-pany fighting a \$135m bid from Elf Aquitaine said at the weekend that the French company was trying to take it over "on the cheap" for its exploration and development potential.

In a letter to shareholders, Mr James Longcroft, the chairman, hit back at an estimate by Elf of Tricentrol's underlying asset

Elf had argued that Tri-centrol needed very sub-stantial external funds to stantial external funds to meet its development programme at a time when it was highly geared. It said that if the UK company put in place a \$350m finance package then, in Effs opinion, the underlying value of Tricentrol's assets was very substantially less than the 145p a share it was offering, and was closer to 80p. Mr Longcroft said the figure was substantially at variance with the board's

variance with the board's opinion that the offer was, inadequate. He was sur-prised Elf should publish such a figure without stating the bases or assumptions for it and without any

independent support. He said he would be writ-ing to shareholders later on the underlying value of the assets, the prospects for the company and its financing programme. Tricentrol's share price, he pointed out, continued to be well above the Elf offer price. It closed on New Year's Eve at 158½p.

nothing Tricentrol had stated so far altered its. opinion that its offer was generous." Tricentrol is penerous. Tricentrol is loss-making, non-dividend paying and highly geared, it went on. "It continues to have a bleak future as an

independent company."

However, Mr Longcroft said that Tricentrol had an excellent spread of acreage in the UK and internation-ally and it had three major developments in immediate prospect: Wytch Farm, Amethyst and North Raven-

"From existing reserves alone we expect Tricentrol's production will increase four-fold over the

next five years."

He also hit back at Elf's criticism of Tricentrol's exploration success and said that although the involved in the UK continental shelf for over 20 years "it has made no commercial discovery or devel-opment as operator."

FOOD INDUSTRY

The FT is proposing to publish this survey Friday 22nd January 1988. For full details contact: MARK JONES on 01 248 8000 Ext 3565

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David Buchan examines a change of emphasis at Plessey

A multinational defence policy

Plessey is suddenly becoming heavily weighted towards defence, at least in terms of busi-ness over which it has total man-

gement control. In April, it will place its civil telecommunications activities, more than half its current \$1.5bn total annual turnover, S1.50n total annual turnover, into the new joint venture with General Electric Company. Shorn of that, Plessey's £500m a year defence business will acquire new importance, dwarfing its semi-conductor activities which even with its latest acquisition from Ferranti only turnous control of the property o

which even with its latest additional sition from Ferranti only turn over some £130m a year.

It therefore sees an urgent need to put its defence business on a broader and more stable geographical footing. Mr Philip Parker marketing director of the process of t Parker, marketing director of Plessey Electronic Systems communications activities, explained in a recent interview that Plessey's defence business had been traditionally 75-80 per cent in the UK.

ment a year, the world "total addressable market" for Plessey, as Mr Parker puts it, was much

bigger.
But, in contrast to UK rivals like GEC Avionics which have successfully built up exports on home-based manufacturing and technology, Mr Parker explained that 'instead of being export-ori-ented, we would like to become multinational'. The means might be further acquisitions abroad ioint ventures or strategic alliances with foreign companies, but the overweening require-ment is to integrate ourselves into the international defence infrastructure". To this end, Mr Parker said Plessey was prepared to transfer technology abroad "at

Plessey has made no secret of its desire to expand into the US defence market. Thwarted last spring by Pentagon security con-cerns in its bid to buy Harris, the large US defence electronics confor buying Sippican, a \$50m a year specialist maker of sono-buoys which may prove a useful conduit for increased sales in the US of similar underwater naval equipment from the UK. But ssey "remains totally open to

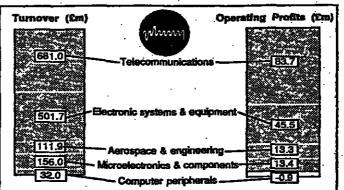
Investment Co. sets meeting date

The Investment Companysmall quoted investment holding - announced on New Year's Eve that it will be holding an extraordinary meeting on February 2, at which various resolutions to remove and appoint directors will be put to share

The meeting has been requisi-tioned by New Centurion Trust, where Major George Webb is chairman and the principal shareholder. Major Webb is also chairman, chief executive and finance director of The Invest-ment Company

ment Company.

The three resolutions seek to remove Mr Clifford Grove as a director of The Investment Company; to remove any director appointed since December 16; and to elect Mr Paul Sims as a director.



any opportunity in the US", Mr Parker stressed. However, the new element of which oversees the company's Plessey's strategy is the identifi-radar, avionics, naval and army cation of several small to communications activities, medium size defence markets, explained in a recent interview which both have their own had been traditionally 75-80 per cent in the UK bought around \$2.5bn in new defence equipment a year, the world total addressed.

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government was committed to 58h in purchase of defence capextensive re-equipment and ital equipment over the next five
modernisation. Teamed with years and which has a stated
Garrett of Canada, Plessey has need for army communications
got an initial contract for the
Low Level Air Defence System
(LADS) and is bidding to supply
army communications radios. It
is also looking for Canadian partners with which to supply sonar

for the Trafalgar class nuclear submarines, should Ottawa decide to buy the design for this boat from VSEL of Britain in boat from VSEL of Britain in preference to a rival French bid. Plessey already puts the sonar on the Royal Navy Trafaigar boats at the cost of \$50m each.

Spain, which Mr Parker estimates will spend \$10bn over the next five years on new defence capital equipment. In the fore-seeable future Madrid would like to supply up to 90 per cent of its defence electronic needs, instead of 30 per cent as today. Plessey, according to Mr Parker, would like to play a part in this, possibly by making an local acquisition or just expanding its exist-

tion or just expanding its exist-ing corporate presence. Canada, where the Mulroney South Korea, which plans government was committed to S8bn in purchase of defence cap-

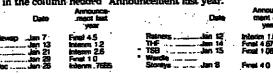
The UK company is in early discussions with possible Korean partners about meeting the partners about meeting the Korean army's requirements for an electronic countermeasures resistant radio such as the Räven that Plessey is selling to Australia, and for a tactical radio network like the Ptarmigan system with which Plessey has equipped the IIK army. the UK army.

• Egypt, to which Plessey is selling components for local manufacture of special ground radars. Mr Parker sees Egypt as a gateway to the wider Middle East defence market, just as Plessey might win business in Latin America via Spain, the Far East via Korea, and even the US via Canada

In the not too distant future, Plessey hopes to earn half its defence revenue abroad, accord-ing to its marketing director. But identifying the foreign markets is one thing getting identified in those foreign markets as virtu-ally a local supplier is a much

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the



Standard & Chartered

BOARD MEETINGS

Notice of Redemption to the **Holders of** Standard Chartered Finance B.V.

11%% Guaranteed Bonds Due 1996 (the "Bonds").

Notice is hereby given that, pursuant to the Conditions of the Bonds, Standard Chartered Finance B.V. has elected to redeem on 5th February 1988 ("the Redemption Date") all of its outstanding 113/4% Guaranteed Bonds Due 1996 at the principal amount thereof plus interest accrued from 7th November 1987 to the Redemption Date being £22.98 per £800 principal amount.

On the Redemption Date interest on the Bonds will cease to accrue.

On the Redemption Date the Bonds will be represented by the temporary Global Bond. Cedel S.A. and Morgan Guaranty Trust Company of New York, as operator of the Euro-clear system, will cause the temporary Global Bond to be presented for repayment. and will arrange for the redemption proceeds to be credited to the accounts of the persons shown in their books as entitled to an interest in the temporary Global Bond pro rata to their entitlement.

4th January 1988

This announcement appears as a matter of record only.

January 1988

Kredietbank N.V., London Branch

£100,000,000

Certificate of Deposit Issuance Programme

Paper issued under the Programme has been rated A-1 by Standard & Poor's Corporation-

and E-1+ by EuroRatings

Dealers

Lloyds Bank Pic

S.G. Warburg & Co. Ltd.

Lloyds

🚰 Bank

Merchant

Standard Chartered Finance B.V. By Principal Paying Agent Standard Chartered Bank

CREDIT D'EQUIPEMENT

£100,000,000

Guaranteed Floating Rate Notes due 1996

For the three months 24th December, 1987 to 24th March, 1988 the Notes will carry an interest rare of 91/2% per amum and coupon amount of £1,134.39 per £50,000 Note and £113.44 per £5,000 Note, payable 24th March, 1988.

Bankers Trust

S. G. Warburg Capital B.V.

U.S.\$200,000,000 Floating Rate Notes 2006

unconditionally and irrevocably guaranteed by

निकारियों ने ने स्वासित है। Mercury International Group pic

In accordance with the provisions of the Noses, notice is hereby given that, for the six month period, 4th January, 1988 to 5th July, 1988, the Noses will bear interest at the case of 724s per cent per annum. Coupon No. 4 will therefore be payable on 5th July, 1988 at U.S.\$9,769.55 per coupon from Noses of U.S.\$250,000 nominal and U.S.\$390.78 per coupon from Noses of U.S.\$10,000 nominal

S. G. Warburg & Co. Ltd. . Agent Bank

IMI Bank (International) ¥10,000,000,000

Floating Rate Guaranteed Notes Due 1993 (the "Notes")

unconditionally guaranteed by ISTITUTO MOBILIARE ITALIANO

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from 4th January, 1988 to 4th July, 1988 being the first Interest Payment Date (as defined in the terms and conditions), the Notes will carry an interest Rate of 5.15% per annum.

Interest payable on 4th July, 1988 will amount to ¥256.795 per ¥10,000,000 Note. Agent Bank The Long-Term Credit Bank of Japan, Limited

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of invariest for the three month period 30th December, 1987 to 30th March, 1988 has been floid at 9 per cent, per annum. Coupon No. 8 will therefore be payable on 30th March, 1988 at £1,118.85 per coupon from Notes of £50,000 nominal and £111.89 per coupon from Notes of £50,000 nominal and £111.80 nominal and £111.80 per coupon from Notes of £50,000 nominal and £111.80 nomi

S.G. WARBURG & CO. LTD. Agent Bank

PKbanken U.S. \$50,000,000 Floating Rate Notes due 1991

For the six months 30th December, 1987 to 30th June, 1988 the interest rate has been fixed at 21%% per annum. Interest payable on 30th June, 1988 will be U.S. \$149.32 per Note of U.S. \$10,000 denomination. \$10,000 denomination.

U.S. \$100,000,000 Security Pacific Corporation Notes due 1992

Notice is hereby given that for the interest Period from January 4, 1988 to April 5, 1988 the Notes will carry an interest Rate of 71/4/6 per annum. The coupon amount payable on April 5, 1988 will be U.S. \$1,984.58 and U.S. \$198.46 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Choos Manhallan Bank, M.A. Landon, Annal Bank

FINANCIAL TIMES STOCK INDICES | Dec. |

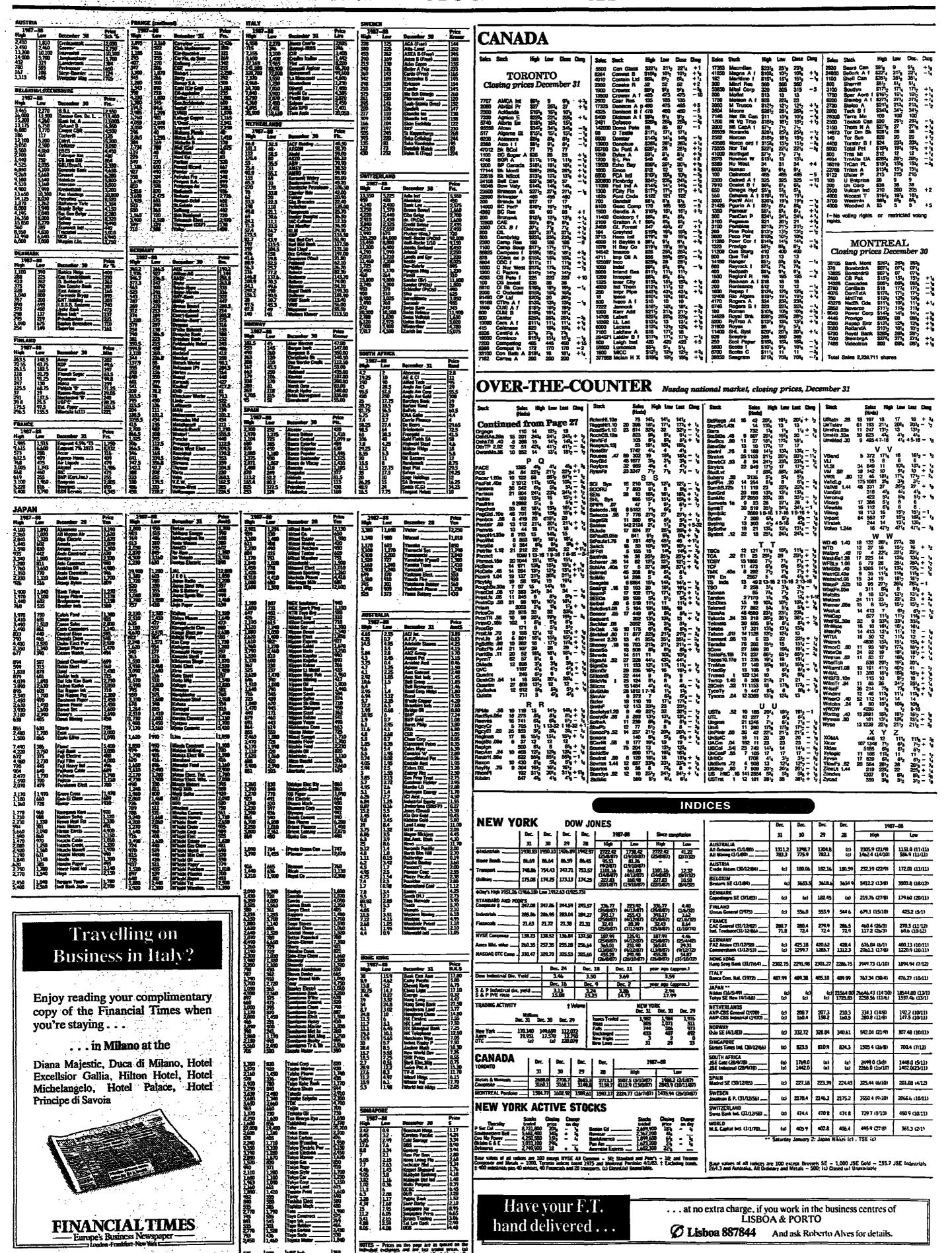
250,000,000 **NHL First Funding** Corporation PLC rtgage Backed Floating Rate Notes due 2013

For the Interest Period from January 1, 1988 to March 31, 1988 inclusive the Notes will bear an interest Rate of 9.20% per armum. The interest payable on the relevant interest payment date, Merch 31, 1988 will be £192.50 per £8,415.76 nominal emount.

Subordinated Floating Rate

January 4, 1988

WORLD STOCK MARKETS



Hard CE | 1 A trial distriction direction of the control of the co YORK STOCK EXCHANGE COMPOSITE CLOSING PR Closing prices, December 31 Court of the court Color 5778 558511652 118657 11 | 200 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 | 201 d 25 5 5 7 10 25 5 10 25 త్ళ జన ప్రత్యేక్తున్న తిన్నారు. ప్రత్యేక్తున్న జన్మిక్కట్టున్న స్ట్రిక్ట్లో స్ట్రిక్ట్లో స్ట్రిక్ట్లో స్ట్రిక్ 17 5 మెక్క్లోన్న స్ట్రిక్ట్లో

inancial Times Monday January 4 1988 YSE COMPOSITE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES Closing Decem
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Western Track Westpor. Bank Corp. .

BASE LENDING RATES

Roogloog & Stongs ... Lloyts Rank Heybray Book List Kalland Sank Morgan Greatell Morgan Greatell

FOREIGN EXCHANGES

Faith evaporates leaving little hope or charity for dollar

FINANCE MINISTERS from the major industrial nations, then known as the Group of Five, met in New York on September 22, 1985 and decided the dollar was too strong. The US currency then began the long decline from levels of around Y240 and DM2.90.

no willingness to take the necessary steps to cut the Budget deficit. Its fall since late October full scale recession in the run up to this November's US Presidential election.

Capel forecasts the dollar to full scale recession in the run up to this November's US Presidential election.

At the start of 1988 this is still the general view. Many economics of the US currency during 1988, if only trade deficit of \$17.63bn will because President Reagan will received the dollar on its present elide.

They met again, as the Group of Seven, at the Louvre in Paris on February 22 last year, and decided the dollar was too weak, at around Y150 and DM1.80. This did not produce any recovery, but did succeed in keeping the currency steady for about eight

Underlying sentiment did not change and remained fixed against the dollar, but the fear of central bank intervention pre-

With hindsight it may be said the dollar was held artificially high, as the US trade deficit in 1987 continued to mount and the Reagan Administration showed

Close

Previous Close

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

0.756131 1 41026 1 84053 15.8034 46 9617 8.65829 2.24316 2.52437 7.59566 1652.82 174.308 8.82682 152.872 8.23098 1.81106 N/A

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES

AGAINST STERLING

Dec.31

Bank of England Index

912 912 942

Dec_31

may now be regarded as a catching up period.

Eventually it was disappointment with the August trade figures, announced on October 14, that started the dollar on its present slide. The August deficit was an improvement on the then record \$16.47bn in July, but the market finally ran out of patience, and decided the trade trend was not good enough to sustain the dollar's value.

This was followed by the crash in share prices on October 19, as Mr James Baker, US Treasury Secretary, criticised West Germany for a rise in interest rates, leading to doubts that the G7 were in complete agreement about economic policy.

As faith in the Louvre accord evaporated, fears increased that the US attitude towards its own and the start of 1988 this is still the general view. Many economics believe the October US trade deficit of \$17.63bn will prove to be the peak of the present cycle, and that an improvement is now likely as US goods become more competitive and US consumption of foreign goods slackens.

Stockbroker, James Capel, expects the the current account delicit in 1988 to shrink to \$135bn from \$162bn last year, with monthly trade deficits averaging around \$11.7bn, compared with \$14.6bn in 1987.

But James Capel adds "This pace of improvement will not be rapid enough to prevent erratically proventies."

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

evaporated, fears increased that the US attitude towards its own currency was the real problem.

The market saw a period of eco-which will take it to successive

21.5344 21.5404 21.0981 21.3674 21.5012 21.6684 24.0752

% pa

1.33 0.23 4.13 2.06 0.07 5.24 -6.40 -3.20 -6.47 -0.45 4.17 5.64

sion of the White House.

It may be less harmful for the Republicans to let the dollar take the strain rather than take effective economic measures by raising interest rates and taxation.

Past experience has shown

High 94,10 93,79 93,42

93.97 93.69 93.34

92.71

Pres. 94,10 93,78 93,42

that the party in power suffers if the US voter sees a reduction in disposable income.

How far Mr Alan Greenspan, chairman of the Federal Reserve Board, is prepared to go along with this policy is not yet clear, but it is a long time to November.

Pets-Last.
Feb May
- 0.40
- 0.30
- 0.50
0.60 0.80
1.30 1.35
1.55 2.40
1.95 5.75

Puts-Last Jun Sep 0.04 0.14 0.06 0.17 0.09 0.21 0.10 0.26 0.14 0.31 0.18 0.38 0.23 0.45

0.6389 0.633.6 0.6451 0.6378 0.6507 0.6440

92.43 92.19 92.86

High 92.54 92.34 91.92

92.44 92.20 92.20 91.86

600 0.01 0.01 0.03 0.03 0.05 0.07

LONDON SE E/\$ APTIONS £12,500 (comb per £1) S-Last 0.02 0.11 0.39 1.09 1.74 4.82 8.06 Feb 0.00 0.02 0.14 0.58 1.31 2.99 7.38 23.75 19.07 14.86 11.12 7.97 5.45 3.55 PHILADELPHIA SE E/S OPTIONS E12,500 (pents per E1)

b Nar Jon - 25.45 25.65 - 25.90 23.86 - 18.50 18.65 25 12.40 10.40 50 7.45 11.10 50 7.45 11.10 Calls WA Pass MA - Calls 828 Pass 223 Sep 227 205 184 144 126 108 Feb 0.20 0.45 0.85 1.40 2.20 3.10 4.45

Estimated Volume 21 (4) Previous day's open int. 516 (517) 90.94 90.74 90.48 Estimated Volume 1669 (3297) Previous day's open int. 23628 (23668)

133 120 122 279 -0.79 -0.79 -0.79 -4.64 -4.64 -7.77 -1.78 -1.80 -1.18 -1

92.46 92.21 91.93 92.53 92.74 91.93

imated Volume 723 (865) vious day's open int. 6020 (5872) CURRENCY FUTURES POUND-S (FOREIGN EXCHANGE) 1-min. 3-cath. 6-min. 12-min. 1.8763 1.8725 1.8655 1.8550 IMM STEEL BIE SE DE P LIFFE-STERLING 025,000 \$ per 0

MONEY MARKETS

Uncertainty points to caution

EXCHANGE CROSS RATES

1 0.532 1 1879

Dec. 31 £ S OM Yes F Fr. S Fr. H Ft. Lina C S B Fr

2.960 228.0 10.04 2.395 1.574 121.4 5.343 1.276

0.899

淵 Yea per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

3.390 | 0.809 44.01 | 10.50

10 2.387 4.190 1

68.47 3.014 0.710 104.2 4.586 1.095

93.27 4.105 0.980 367.7 16.19 3.863

FT LONDON INTERBANK FIXING

(11.00 a.m.bec.31) 3 months US dollars & months US Dollars BANK OF ENGLAND TREASURY BILL TENDER

	Dec 31	Dec.18	-	Dec.31	Dec.1
Bills on offer Total of applications Total of applications Total allocated Allocated Allocated at minimum level	£100m £599m £100m 97.945% 15%	\$100m \$572m \$100m 97.925%	Top accepted rate of discount Average rate of discount	8.2425% 8.2090% 8.3805% E1.00m	8.3228 8.3007 8.4761 £100s

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Dec.31	-Speedto	MEW YORK	Dec.31	charge
Sate /2019 7 day Interbank	8.50 6.75 8.9375 8.2090 8.375	Uncird 0,375 -0,0625 Uncird	Prime rates Federal Fands 3 Mth. Treasury Bills 6 Min. Treasury Bills 3 Mth. CD	8.75 7.25 5.85 6.47 7.275	Unday 0.8125 -0.34 -0.23 -1.537
Band 2 Bath Band 2 Bath Band 3 Balls Band 4 Bills Band 4 Bills Balls Bal	8.375 8.375 8.375 8.375 8.40625 8.40625	Uacira Uacira Uacira Uacira 0.0625 0.3325 0.03125	FRANKFURT Lombard One such baserbank Three month	4.50 3.40 3.50	Undre -0.275 -0.175
Tokyo One monto Bills Three monto Bills	3.84375 3.90625	-0.1875 Undrd	Intervention Rate Due mth. Interbank Three month	7.75 8.0625 8.5625	Vactrá 0.0625 Uactrá
BRUSSELS Goe month Three month	N/A N/A	=	One wonth	11.50 11.50	Uocird Vacird
AMSTERDAM One worth	4,4375 4,5625	-0.1875 -0.25	Ouecusti	8)25 8.75	-0.25 Und/d

US INTEREST rates rose as UK rates fell during 1987, but against the background of different economic performance the change in rates was not enough to prevent the pound rising against the dollar.

Eurodollar rates rose by 1 point to around 7½ p.c., while Eurosterling rates fell by 2 to 2½ points to around 9 p.c.

Financial markets are now asking whether the US is pre
T. Landon Markets are now asking whether the US is pre
T. Landon Markets are now against the to take tougher measures, including raising interest rates, to prevent a further dollar rates, to prevent a further dollar side?

Expectations at present are that the US is not prepared to risk a deep recession, and possibly send Wall Street crashing again, with the necessary moves to prop up the currency.

UK base rates fell from 11 p.c. to 8½ p.c. during 1987, but market sees 8 p.c. as the limit on base rate cut it will be temporary.

The threat of overheating and the market sees 8 p.c. as the limit on base rates at present.

A deteriorating UK current the market sees 8 p.c. as the limit on base rates at present.

This uncertainty is reflected in the dollar, and the market sees 8 p.c. as the limit on base rate cut it will be temporary.

The threat of overheating and the market sees 8 p.c. as the limit on base rates at present.

A deteriorating UK current the money market yield curve, with longer term rates pointing it to strong consumer spending, indicate caution, and many City observers believe that even if the middle of the year.

MONEY RATES

Treasury Bills and Books

Cluschilme)

Treasury Bills and Books

Cluschilme)

3.330 2188 2.445 62.00 1.773 1165 1.301 33.00

3318 2180 2436 61.78 1.390 9136 1021 25.89

1 1.522 1000 1117 2834

Dec.31 3.30-3.50 8.0625 2.50 4.4375 3.84375 11.50 3.40-3.60 8.375 3.50-3.70 8.8125 4.50 7.75 8.125 LONDON MONEY RATES

Oec.31	Overpight	7 days actice	Dae Moga	Three Mouths	Six Months	Oper Year
erhank Offer	9.00	8.75	8.6875	8.9375	9.1875	9.50
Bid	5.50	8.50	8.5625	8.8125	9.00	9,3125
ritog COs			8.5625	8 <u>.8125</u>	9.00	9.25
rai Authority Deps	8.375	8.375	8.50	<u>8.575</u>	9.00	9.125
zal Auchority Bonds		- 	8.6875	8.7375	9,125	9.50
count Mikt Deps	8.875	8,625	8.4375	8,375		
opany Deposits	8.75	8625	8.625	9.00		
ance House Deposits .	-	-	8,6875	8.875	9.125	9.375
essery Bills (Boy)	-	-	8.375	8.375		-
sk Bills (Bay)	•	-	8.406250 9.031250	8.406250	2.8125	-
e Trade Silis (Buy)	•	-		9.031250	9.4375	
ter COs	•	-	7.15-7.10	7.39 <u>-7</u> .25	7.40 <u>-7.3</u> 5	7.70-7.65
R Lucked Dep Offer	•	-	6.00 5.75	625	6.375	6.5625
R Luniced Dep Bid	-	-	7.2	<u>606</u>	6,125	63125
U Limited Dep Offer	-	-	6.75	6,875	7,00	7.125
U Liebed Dep Bid			6.625	6.75	6.875	7,00
Treasury Balls (sell);	one-month 8	s per cool: th	ree mortes 84	per cest: Bas	& Bills (sell):	ose orosti Sii
cent: three mostle, 81	Low cest: Ti	Chart Ldic	Antrace teater	rate of disco	mai 8.20770 a.c	. ECSO From
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UK clearing bank base lending rate 8½ per cent from December 4

authorities are forced into

NOTICE TO THE HOLDERS OF YAKULT HONSHA CO., LTD. 1: US\$50,000,000 2%% DUE 1991 AND OR

BOTH GUARANTEED BONDS WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF YAKULT HONSHA CO., LTD.

2: US\$80,000,000 1%% DUE 1992

Pursuant to clauses 3 and 4 of the instrument dated 1. 5th August, 1986; 2. 23rd June, 1987 under which the warrants were issued NOTICE IS HEREBY GIVEN as follows:-

(1) An issue of convertible bonds of the company has been made on 25th December, 1987. The bonds are convertible into shares of common stock of the Company at a price of year 2,717 per share.

(2) As a result of such convertible issue by the company, the Subscription Price at which shares are issuable upon exercise of said warrants has been adjusted pursuant to condition 7 of the recent price. 1: from yen 3,322.70 to yen 3,321.00 2: from yen 3,619.70 to yen 3,616.70, hare of common stock effective 25th December, 1987.

As Principal Paying Agent

YAKULT HONSHA CO., LTD

The Sixth

Plaisterers Hall, City of London 11, 12 & 15 February, 1988



For information please return this advertisement, together with your business card, to: Financial Times Conference Organisation

126 Jermyn Street, London SW1Y 4UJ Alternatively. telephone 01-925 2323 talex 27347 FTCONFG Fax: 01-925 2125

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	وقور معرفان والجو	a a second second		47.5	A contractor	A ST No. 17	<u> </u>
	F	T — ACTUAR	IES WO	RLD IN	DICES		
Jointly C	compiled by the	Financial Times.	Goldman. S	Sachs & C	o., and Woo	d Mackenzi	e & Co

NATIONAL AND REGIONAL MARKETS	THURSDAY DECEMBER 31 1967					WEDNESDAY DECEMBER 30 1987			BOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Curyency Index	1987 High	1987 Low	Year ago (approx
Australia (88)	104.73	+2.0	82.66	96.44	4.27	102.69	81.89	94.92	180,81	85.36	200.00
Anstria (16)	100.74	+1.7	79.51	82.43	. 251	99.03 102.22	78.98	82.14	102,87	85.53	100.0
Belgium (48)	103.15	+0.9	81.41	84,45 .	5,56	102.22	81.52 88.18	84.45	134.89	94.63	100.0
Canada (127)	110.44	-0.1	87,17	103,97	2.99	110.57	88.18	104,33	141.78	98.15	100,0
Denmark (38)	115.47	+12	91.13	95.48	3.06	114.35.	91.04	95.48	124.83	98.18	100.0
France (121)	86.10	-0.2	67.96	72.16	3.65	86.27	68.80	73.00	121.82	77.39	100.0
Ned Germany (931	77 20	+13	61.00 70.27	63.24	2.97	76.32	60.86	63.24	104.93	68.91	100.0
Hong Kong (46)	89.04	+0.7	70.27	88,70	5.59	88.43	70.52	88.12	158.68	73.92	100.0
Hong Kong (46) Ireland (14)	104.71	-1.5	82.64	87.74	5.10	106.30	84.77	90.15	160.22	93.50	100.0
taly (94) Japan (457) Malaysia (36)	77.73	+0.6	61.35	67.63	2.80	77.24	61.60	67.86	112.11	72.04	100.0
Japan (457)	141.39	+1.6	111.59	108.46	0.63	139.10	110.93	108.46	161.28	100.00	100.0
Malaysia (36)	111.67	-01	88.14	106.94	3.40	111.80	8916	107.24	193.64	93.76	100.0
Mexico (14)	105.48	+20	83.25	258.91	1.16	103.36	82.43	253.71	422.59	99.72	100.0
Mexico (14) Hetherland (37) New Zealand (20)	100.30	+12	79.16	81.14	5.48	99.15	79.07	81,14	131.41	87,70	100.0
New Zealand (20)	76.17	+0.5	60.11	61.28	5.48	75.80	60.45	61.26	138.99	73.39	100.0
Vorway (24)	101.75	+03	80.31	86.01	1 315	101.47	- 80.92	86.39	185.01	95.51	100.0
Norway (24) Singapore (26) South Africa (61)	97.32	-01	76.81	89.45	271	97.42	77.69	89.45	174.28	8121	100.0
South Africa (61)	133.53	-15	76.81 105.38	91.22	. 4.71	135.55	108.11	91.89	198.09	100.00	100.0
Spain (43)	132.61	+1.1	104.66	108.25	3.85	131.21	104.64	108.25	168.81	100.00	100.0
Suerien (34)	99.11	+0.B	78.22	84.88	267	98.30	78.40	84.88	136.64	88.50	100.0
Sweden (34)	83.48	+12	65.89	66.02	- 249	82.50	65.79	65.93	111111	73.65	100.0
United Kingdom (332)	132.53	-15	104.60	104,60	4.41	134.49	107.26	107.26	162.87	99.65	100.0
USA (580)	100.53	-0,4	79.35	100.53	3.68	100.90	80,47	100.90	137.42	91.21	100.0
urope (947)	104.53	03	82.50	84,67	3.94	104.84	83.61	85.83	130.02	92.25	100.0
Pacific Basin (673)	137.94	+1.6	108.86	107.05	0.84	135.72	109.24	106.99	158.77	100.00	100.0
Euro-Pacific (1620)	124.62	+1.0	98.35	98.09	1.89	123.42	98.43	98.51	143.65	100.00	100.0
North America (707)	101.06	~0.4	79.76	300,75	3.64	101.42	80.88	101.11	137.55	97.68	100.0
Europe Ex. UK (615)	87.16	+0.8	68.79.	72.11	3.51	86.44	68.94	72.30	111.97	78.89	100.0
Europe Ex. UK (615)	96.25	+13	75.96	89.99	4.66	95.01	75.77	. 89.04	164.03	82.92	100.0
Norld Ex. US (1822)	124.22	+0.9	98.04	98.33	1.96	123 10	98.17	98.75	143.38	100.00	100.0
Norld Ex. UK (2070)	113.33	+0.7	89,44	98.51	2.32	112.53	89.75	98.67	138.82	100.00	100.0
World Ex. So. Af, (2341):	114.92	+05	90.70	99.11	2.52	214.35	91.20	. 99.51	139,47	100.00	100.0
World Ex. Japan (1945)	102.42	-03	80.84	94.65	2.52 3.80	102.72	81.92	95.29	13422	92.98	100.0
											TOOL
The World Index (2402)	115.04	+0.5	90.79	99.08	2.54	114.49	91.31	99.48	139.73	100.00	100.0

Base values: Dec 31, 1986 = 100 Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mi Markets closed: December 30: Japan; December 31: Belgium, D prices have been opdated which were remarkable on Dec. 30.

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Introduction and Placing by FISKE & CO.

of 200,000 Ordinary shares of £1 each at 165p per share on the Third Market of The Stock Exchange

Share Capital

issued and now being issued fully paid in Ordinary shares of £1 each £8,728,440

The Company develops and manages nursing centres specialising in the care and treatment of highly dependent petients such as younger chronic sick.

generated and consequence enemy.

Application has been made to the Council of The Stock Exchange for the grant of permission for the Ordinary shares of the Company to be traded on the Third Market. Subject to the granting of permission, destings in the Ordinary shares of the Company are expected to commence on 7th January 1988. It is emphasised that no application has been made for these securities to be edmitted to the Official List nor for permission to deal in these securities on the Unlisted Securities history.

Securities Market.

Perficulars of the Company are available it the Extel Third Market Service and copies may be obtained during normal business hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 19th January 1968

Fisher & Co. Salimbury House, London Wall, London EC2M SQS TRANSACTIONS WILL BE EFFECTED IN ACCORDANCE WITH THE RULES AND REGULATIONS GOVERNING THE THIRD MARKET OF THE STOCK EXCHANGE THIS INVESTMENT MAY CARRY A HIGH DEGREE OF RISK.